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LEGISLATIVE HISTORY

Public Law 720--80th Congress

Chapter 551--2d Session

H. R. 6114

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DIGEST OF PUBLIC LAW 720

FARM LOANS. Amends Title I of the Bankhead-Jones Farm Tenant Act so as to increase the interest rate allowable on insured Mortgage loans from $2\frac{1}{2}\%$ to 3% ; to increase the interest rate on direct loans made by the Secretary of Agriculture for acquisition and improvement of farms from $3\frac{1}{2}\%$ to 4% ; to authorize the use of the mortgage insurance fund heretofore established for the purchase of defaulted insured mortgages after they have been held by the lenders for a period of not less than 5 years, as determined by the Secretary of Agriculture; and makes several technical and clarifying amendments to the Act.

INDEX AND SUMMARY OF HISTORY ON H. R. 6114

April 2, 1948	H. R. 6114 was introduced by Rep. Pace and was referred to the House Committee on Agriculture. Print of the bill as introduced.
April 14, 1948	Hearings: House, H. R. 6114.
April 30, 1948	House Committee reported H. R. 6114 without amendment. House Report 1837. Print of the bill as reported.
May 18, 1948	House debated and passed H. R. 6114 as reported.
May 19, 1948	H. R. 6114 was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as referred.
June 7, 1948	Senate Committee reported H. R. 6114 without amendment. Senate Report 1520. Print of the bill as reported.
June 10, 1948	Senate debated and passed H. R. 6114 as reported.
June 19, 1948	Approved. Public Law 720.

80TH CONGRESS
2D SESSION

H. R. 6114

IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 1948

Mr. PACE introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the following sections of title I of the Bankhead-Jones
4 Farm Tenant Act, as amended, are hereby amended as
5 follows:

6 SEC. 1. Amend subsection (b) (2) of section 3 to read:

7 “(2) provide for the payment of interest on the

1 unpaid balance of the loan at the rate of 4 per centum
2 per annum;”.

3 SEC. 2. Amend subsection (c) (4) of section 12 to
4 read:

5 “(4) the mortgage instruments shall comply with
6 section 3 (b), except that the base rate of interest shall
7 be 3 per centum per annum;”.

8 SEC. 3. Amend subsection (e) (1) of section 12 to
9 read:

10 “The Secretary shall collect from the mortgagor for
11 mortgage insurance an annual charge at the rate of 1 per
12 centum of the outstanding principal obligation of the mort-
13 gage; the initial charge shall be collected simultaneously with
14 the insurance of the mortgage and shall cover the period
15 from the date of loan closing to the date of the first
16 installment payable on the loan; the next and each succeed-
17 ing charge shall be computed on the outstanding principal
18 obligation remaining unpaid after the due date of each
19 installment payable on the loan, and shall be payable on
20 or before the next succeeding due date of an installment
21 of principal and interest. If the principal obligation of
22 the mortgage is paid in full in less than five years after
23 the time when the mortgage was entered into, the Secre-
24 tary may require payment by the mortgagor of the entire
25 annual charge computed for the year then current, and

1 an additional charge equal to the annual charge for such
2 year. The Secretary may modify existing contracts so
3 as to require future payments thereunder in accordance with
4 the provisions of this section.”

5 SEC. 4. Amend subsection (f) of section 12 by striking
6 out subsections (2) and (3), and inserting in lieu thereof
7 the following new subsections (2), (3), and (4).

8 “(2) If the mortgagor has failed to pay to the Secre-
9 tary the full amount of any installment on or before the
10 due date thereof, the Secretary shall pay promptly the
11 unpaid amount of such installment of principal and interest
12 to the mortgagee, less the amount of any previous pre-
13 payments except payments from proceeds from the volun-
14 tary or involuntary sale of any part of the mortgaged
15 property or from royalties from leases under which the
16 value of the security is depreciated.

17 “(3) If the mortgagor fails to pay any amounts due for
18 taxes, special assessments, water rates, and other amounts
19 which may become liens prior to the mortgage, and any
20 amounts due for property insurance premiums, such amounts
21 may be paid by the Secretary, either before or after assign-
22 ment of the insured mortgage to the Secretary, for the
23 account of the mortgagor as provided in paragraph (4)
24 below.

25 “(4) Payments by the Secretary under paragraphs

1 (2) and (3) shall be advanced out of the fund for the
2 account of the mortgagor. Such advances shall be repaid to
3 the fund out of the first available collections received from
4 the mortgagor. Such advances shall bear interest at the
5 rate fixed in the insured mortgage payable out of any sub-
6 sequent collections, and, until repaid, the advance and
7 interest thereon shall be added to subsequent installments.”

8 SEC. 5. Amend section 12 by adding at the end thereof
9 the following new subsection (j) .

10 “(j) The Secretary is authorized to enter into agree-
11 ments from time to time with the holder of a mortgage
12 heretofore or hereafter insured under this title that any
13 holder thereof, at the holder’s option, shall be entitled, upon
14 assignment of such mortgage to the Secretary within one
15 year after the expiration of a period fixed by such agree-
16 ment, to have the mortgage purchased by the Secretary even
17 though the mortgage is not then in default, provided the
18 initial fixed period shall be not less than five years from
19 the date of the insured mortgage. Such assignment shall be
20 accomplished in the same manner and the value of such
21 mortgage shall be determined on the same basis as provided
22 by section 13 for mortgages in default. The Secretary may
23 purchase any such mortgage with moneys in the fund and
24 may sell it at its value likewise determined in accordance
25 with section 13 at the time he sells it, and reinsure it, if

1 necessary, or he may retain it for the account of the fund
2 until the indebtedness is discharged through refinancing by
3 the mortgagor, by foreclosure, or otherwise. The value of
4 all such mortgages retained for the fund as herein provided
5 shall not be included in computing the aggregate amount
6 of mortgage obligations that may be insured in any one
7 fiscal year, as provided in section 12 (b). If there should
8 not be sufficient cash in the fund to enable the Secretary
9 to make payments to purchase mortgages as provided in
10 this subsection, in order to obtain funds to make such pay-
11 ments notes may be issued and purchased in the same manner
12 as provided in section 13.”

13 SEC. 6. Amend subsection (a) of section 14 by adding
14 at the end thereof the following sentence: “Expenses and fees
15 incident to foreclosure may be advanced out of the fund
16 for the account of the mortgagor.”

17 SEC. 7. Amend subsection (b) of section 14 to read:
18 “(b) Amounts realized under section 51 on account
19 of property which was subject to an insured mortgage shall
20 be deposited in the fund. Amounts payable by the Secre-
21 tary under section 50 with respect to such property, and
22 any necessary costs and expenditures for the operation,
23 preservation, and protection of such property, shall be paid
24 out of the fund.”

A BILL

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondefaulting insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

By Mr. Pace

APRIL 2, 1948

Referred to the Committee on Agriculture

AMENDMENT TO BANKHEAD-JONES FARM TENANT ACT

HEARINGS

BEFORE

THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

EIGHTIETH CONGRESS

SECOND SESSION

ON

H. R. 6114

APRIL 14, 1948

Printed for the use of the Committee on Agriculture



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1948

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AMENDMENT TO BANKHEAD-JONES FARM TENANT ACT

WEDNESDAY, APRIL 14, 1948

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The CHAIRMAN. The committee will come to order.

I think perhaps in view of the fact that this bill is in the nature of an amendment of existing law, the best way to start off would be to have Mr. Campbell go through the bill section by section and explain the changes that are made in existing law.

If you will come forward, Mr. Campbell, we will be glad to hear from you at this time.

STATEMENT OF HOWARD V. CAMPBELL, ATTORNEY, SOLICITOR'S OFFICE, UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. CAMPBELL. Mr. Chairman and gentlemen of the committee, my name is Howard V. Campbell. I am an attorney in the Solicitor's Office, Department of Agriculture. My work has been with the Farmers Home Administration, doing legal work for the last 2 years since the enactment of the Farmers Home Administration Act.

Prior to that time I collaborated with Mr. Farrington in some of the later stages of the Farmers Home Administration Act.

(The bill is as follows:)

[H. R. 6114, 80th Cong., 2d sess.]

A BILL To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sections of title I of the Bankhead-Jones Farm Tenant Act, as amended, are hereby amended as follows:

SEC. 1. Amend subsection (b) (2) of section 3 to read:

"(2) provide for the payment of interest on the unpaid balance of the loan at the rate of 4 per centum per annum;"

SEC. 2. Amend subsection (c) (4) of section 12 to read:

"(4) the mortgage instruments shall comply with section 3 (b), except that the base rate of interest shall be 3 per centum per annum;"

SEC. 3. Amend subsection (e) (1) of section 12 to read:

"The Secretary shall collect from the mortgagor for mortgage insurance an annual charge at the rate of 1 per centum of the outstanding principal obligation of the mortgage; the initial charge shall be collected simultaneously with the insurance of the mortgage and shall cover the period from the date of loan closing to the date of the first installment payable on the loan; the next and each succeeding charge shall be computed on the outstanding principal obligation remaining unpaid after the due date of each installment payable on the

loan, and shall be payable on or before the next succeeding due date of an installment of principal and interest. If the principal obligation of the mortgage is paid in full in less than five years after the time when the mortgage was entered into, the Secretary may require payment by the mortgagor of the entire annual charge computed for the year then current, and an additional charge equal to the annual charge for such year. The Secretary may modify existing contracts so as to require future payments thereunder in accordance with the provisions of this section."

SEC. 4. Amend subsection (f) of section 12 by striking out subsections (2) and (3), and inserting in lieu thereof the following new subsections (2), (3), and (4).

"(2) If the mortgagor has failed to pay to the Secretary the full amount of any installment on or before the due date thereof, the Secretary shall pay promptly the unpaid amount of such installment of principal and interest to the mortgagee, less the amount of any previous prepayments except payments from proceeds from the voluntary or involuntary sale of any part of the mortgaged property or from royalties from leases under which the value of the security is depreciated.

"(3) If the mortgagor fails to pay any amounts due for taxes, special assessments, water rates, and other amounts which may become liens prior to the mortgage, and any amounts due for property insurance premiums, such amounts may be paid by the Secretary, either before or after assignment of the insured mortgage to the Secretary, for the account of the mortgagor as provided in paragraph (4) below.

"(4) Payments by the Secretary under paragraphs (2) and (3) shall be advanced out of the fund for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor. Such advances shall bear interest at the rate fixed in the insured mortgage payable out of any subsequent collections, and, until repaid, the advance and interest thereon shall be added to subsequent installments."

SEC. 5. Amend section 12 by adding at the end thereof the following new subsection (j).

"(j) The Secretary is authorized to enter into agreements from time to time with the holder of a mortgage heretofore or hereafter insured under this title that any holder thereof, at the holder's option, shall be entitled, upon assignment of such mortgage to the Secretary within one year after the expiration of a period fixed by such agreement, to have the mortgage purchased by the Secretary even though the mortgage is not then in default, provided the initial fixed period shall be not less than five years from the date of the insured mortgage. Such assignment shall be accomplished in the same manner and the value of such mortgage shall be determined on the same basis as provided by section 13 for mortgages in default. The Secretary may purchase any such mortgage with moneys in the fund and may sell it at its value likewise determined in accordance with section 13 at the time he sells it, and reinsure it, if necessary, or he may retain it for the account of the fund until the indebtedness is discharged through refinancing by the mortgagor, by foreclosure, or otherwise. The value of all such mortgages retained for the fund as herein provided shall not be included in computing the aggregate amount of mortgage obligations that may be insured in any one fiscal year, as provided in section 12 (b). If there should not be sufficient cash in the fund to enable the Secretary to make payments to purchase mortgages as provided in this subsection, in order to obtain funds to make such payments notes may be issued and purchased in the same manner as provided in section 13."

SEC. 6. Amend subsection (a) of section 14 by adding at the end thereof the following sentence: "Expenses and fees incident to foreclosure may be advanced out of the fund for the account of the mortgagor."

SEC. 7. Amend subsection (b) of section 14 to read:

"(b) Amounts realized under section 51 on account of property which was subject to an insured mortgage shall be deposited in the fund. Amounts payable by the Secretary under section 50 with respect to such property, and any necessary costs and expenditures for the operation, preservation, and protection of such property, shall be paid out of the fund."

Mr. CAMPBELL. The bill before you, H. R. 6114, proposes certain amendments to Title 1 of the Bankhead-Jones Farm Tenant Act as amended by the Farmers Home Administration Act, particularly to those provisions of existing law which relates to the insurance of mortgages. However, the first provision of the proposed amendments in

section 1, beginning on page 1, proposes to amend the law so as to raise the interest rate on direct loans for the acquisition, enlargement and improvement of farms from the present rate of $3\frac{1}{2}$ to 4 percent.

Section 2 proposes to raise the interest rate on insured mortgages under the Bankhead-Jones Farm Tenant Act from $2\frac{1}{2}$ to 3 percent.

In addition to the interest on insured mortgages, the borrower pays an additional 1 percent insurance charge. The two proposals therefore are tied together so that the direct loans and the insured loans will cost the borrower 4 percent.

Mr. ARNOLD. Both loans are at the same rate, are they?

Mr. CAMPBELL. That is correct, sir, except that in the case of the direct loan the Government would get the 4 percent and in the case of the insured loan—

Mr. ARNOLD. What do you mean, Mr. Campbell, by a direct loan; passed by the Secretary?

Mr. CAMPBELL. That is correct.

Mr. ARNOLD. Does the Government do much of that in the Farmers Home Administration?

Mr. CAMPBELL. The appropriation this year was \$15,000,000.

Mr. ARNOLD. Do you have to go to the Treasury to get enough money to operate on?

Mr. CAMPBELL. That is a direct appropriation, sir, in the Department of Agriculture Appropriation Act.

Mr. PACE. Mr. Chairman, may I clarify that issue? For the last ten years or more the Bankhead-Jones Tenant Act has been in operation—under the provisions of that act Congress has annually appropriated from \$15,000,000 to \$50,000,000 for making direct Government loans, 100 percent, to tenants or farm workers who want to buy a farm. That is a hundred percent Government money appropriated by Congress. The purpose of the new program which was enacted by Congress in 1946 is to substitute for that—we hope within 2 or 3 years—instead of making 100 percent loans with Government money, we have set up a plan comparable with the FHA loans whereby the loan is made by private capital. It is to replace the direct loans he is talking about.

Mr. ARNOLD. Let me ask Mr. Campbell if he thinks the rate of interest is high enough to attract capital away from the Treasury and from small banks, which it is intended to do here, just like the town boy who gets a loan. I am asking for information. He is making a study of it and he is in the Farmers Home Administration. I think he is entitled to his opinion and I want to ask him that opinion.

Mr. CAMPBELL. I am not an expert in the field of finance, sir.

Mr. ARNOLD. You understand how the thing operates and where the money is coming and now the Congressman here is bringing in plans that I like and I think it is okay and I am going to support it. But, I want to know if you think you will get enough money from the small banks to carry this at such a low rate of interest.

Mr. CAMPBELL. I have understood that the present $3\frac{1}{2}$ percent rate is quite competitive with long term Government issues.

Mr. ARNOLD. You know what the city boy has to pay on his loan, do you not?

Mr. CAMPBELL. Yes, sir.

Mr. ARNOLD. He pays quite a bit more than this fellow does.

Mr. CAMPBELL. The FHA rate is now 4 percent.

Mr. ARNOLD. In most of them it is four and a half, is it not?

Mr. CAMPBELL. The proposed amendment in the Taft housing bill would give them authority to adjust that interest rate up to four and a half, I believe.

Mr. ARNOLD. Well, most of them are four and a half. Most city loans to the boys in town who are building a home just like we propose to fix this so a farmer can build a home at $4\frac{1}{2}$ percent and then a half for the insurance.

Mr. CAMPBELL. I think that is correct, sir.

Mr. ARNOLD. As a consequence, the banks do not have so much trouble taking paper. But under this plan, what I would like to know is if you think you get money from small town banks to handle this paper. Will it do the job getting it away from the Treasury so you do not have to sell bonds to have money to loan these farmers under the housing program?

Mr. CAMPBELL. I just do not have sufficient information to form an opinion on that.

Mr. ARNOLD. Thank you.

Mr. ANDRESEN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Mr. Andresen.

Mr. ANDRESEN. Will you advise the committee as to the need for this change in interest rate?

Mr. CAMPBELL. That again is a little out of my province, Mr. Andresen.

Mr. ANDRESEN. I think it should be answered here because you are discussing it paragraph by paragraph and perhaps Mr. Lasseter can answer that question.

The CHAIRMAN. Why do we not go through and get the explanation of just what the bill does and then let Mr. Lasseter explain the need for the policy. It will not take long to go through the bill in this way.

Mr. CAMPBELL. Section 3 of the bill makes a provision so that the 1 percent insurance charge first collected from the borrower need not be for the full first year. The reason for that is that in administration of the program they felt it better to have the due date of all borrowers on the same date in the year, March 31. That has been selected as the date. Now, if you make a loan in October, the existing law would require the payment of the full annual charge for the first year. That would make his annual charge due next October, but it is more convenient in servicing the loan if the first charge could be adjusted so that he would only pay a fractional part of the year, from October up until March 31. Then all of his payments, both principal and interest and insurance charge, would come due on the same date in the year. Thereafter, the second annual charge would be for a full year.

The same section changes the law so as to permit the annual insurance charge to be based on the outstanding balance of the loan instead of the amortization schedule as now provided in the law. The reason for the suggested change is that the existing law does not coincide too well with the variable payment plan authorized by section 48 of the act, by which the borrower is permitted to pay ahead of schedule on his note in any amount he so desires. Under existing law, regardless of the amount he pays ahead of schedule, his annual insurance

charge is based on what he would have paid had he only paid scheduled payments. The extreme result of that is that a borrower who managed to pay out his loan in 5 or 6 years will in fact be paying a much higher charge than the present $3\frac{1}{2}$ percent or the proposed 4 percent.

The amendment proposed would cure that defect.

Mr. PACE. What that does, as I understand, is to adjust the insurance charge to cover the actual balance remaining unpaid?

Mr. CAMPBELL. That is correct, Mr. Pace.

Mr. ANDRESEN. That will, of course, reduce the amount of money that goes into the guarantee fund?

Mr. CAMPBELL. It will have that effect.

Mr. PACE. Pardon me, not in cases where the fellow has not paid his note. It would increase it.

Mr. CAMPBELL. May I explain my answer a little further? I say Mr. Andresen's statement was correct because the history has been that loans are paid off faster on the whole than the 40-year amortization schedule.

As to any loan in default of any installment, the borrower would in fact pay more under the amendment than under the law as it now exists.

Mr. PACE. And there is no justification for insuring a part of the loan which he has already paid.

Mr. CAMPBELL. That is right.

Mr. PACE. Where he has paid, for instance, in advance, we have no right to make him pay insurance on that portion which has actually been paid and liquidated.

Mr. CAMPBELL. He is a better risk than the other man, but still we charge him more money.

Mr. PACE. Do you get that?

Mr. ANDRESEN. Certainly, I get that all right. But the Federal Deposit Insurance Corporation, all the banks are required to pay their assessment and the money collected from all of the banks is used to take care of their banks wherever they may exist, so the whole fund collected protects the entire system although the contributor to that fund may never use any part of it. It seems to me that in connection with the federal land bank they had a requirement there for the purchase of stock and it is still there, where it becomes a part of the loan and the borrower, unless they changed it, had to pay interest on the amount that he paid for his stock.

Mr. PACE. He still does.

Mr. ANDRESEN. I do not think he should, myself.

Mr. PACE. I do not either.

Mr. ANDRESEN. Anyway, that is for the protection of those who may be in default and it will protect the whole system. I do not see any reason myself why a man should have to pay long time interest on something that he has paid up. Here you are building up a new system where all of the borrowers are contributing to it for the safety of the system. It seems to me if you are building up a system where the Government is going to guarantee the failures within the system that you should try to get the funds from at least those who can pay in order to protect the others. You will have to have loans.

Mr. CAMPBELL. One thing you should keep in mind, Congressman Andresen, is that one-half of this 1 percent goes to administrative expenses, so that only one-half of it goes into your insurance fund proper.

Mr. ANDRESEN. Just one-half percent, then, goes to funds?

Mr. CAMPBELL. That is correct, and as the loan is paid down the servicing problems are less.

Mr. ANDRESEN. Well, there is no question about that, but here you are taking a type of security, too, that is not eligible for a loan in any other place and it is pretty soft paper. I do not think it is even on a par or can be compared with the Federal land bank.

Mr. COOLEY. Assuming he is eligible for a Federal land bank loan, under the law he is supposed to take it, is he not?

Mr. CAMPBELL. He would not be eligible for this loan if he was eligible for a land bank loan and when he becomes eligible for a Federal land bank loan he is required under this law to refinance the loan with the Federal land bank.

Mr. ANDRESEN. That is after the 5 years?

Mr. CAMPBELL. There is no time limit.

Mr. PACE. That is one of the reasons, Mr. Chairman, that we think this interest rate should be changed because that is the land bank rate. As the gentleman from Minnesota has said, it does seem unfair in some cases that a farmer who goes to the land bank and borrows 75 percent value pays 4 percent interest while at present under this program a borrower gets a 90 percent loan at only 3½ percent interest.

Mr. ANDRESEN. But you are building up a fund here to establish a new system. Now, if you are going to have a sound system of guarantee, you have got to conduct it somewhat similar to the order of the FDIC where you are building up the fund. I think we ought to exercise considerable care in considering this provision because if you let a man only pay his interest on the annual balances as against the other banks now in operation, it may make quite a difference, in the end.

Mr. ABERNETHY. I think that is where the test comes. That test is whether or not the payment of interest on annual balances and the 1 percent that he is referring to would be sufficient to build up an adequate reserve to take care of the situation. If it is not, it should be increased. If it is too much, it should be reduced.

Mr. ANDRESEN. I can picture a time and maybe not in the far distant future when we may have a distressed agricultural situation in the country with lower prices and where these people who have these big obligations may have difficulty in meeting them. That is the time you are going to have your test with the fund.

Mr. PACE. Anticipation of that possibility is one of the reasons that this law provides these loans should be insured on the basis of normal values and not presently inflated values.

Mr. ANDRESEN. If I had anything to do with making loans, I would not make any loans at all for the purpose of buying land at the present time because I think the values are inflated.

Mr. PACE. That is one reason this program is moving slowly and we wanted it to move slowly.

Mr. ANDRESEN. But it is moving to the extent of \$15,000,000.

Mr. PACE. We are taking the position that when we institute a program that requires loans at a normal value basis it has a tendency to deflate values.

Mr. ANDRESEN. I do not know whether it does or not. Of course, up in our area the farm values have not gone up very much due to the scarcity of labor.

Mr. PACE. Nor have they in my area.

Mr. ABERNETHY. Mr. Chairman, let me ask one question. Did the Department consider the question whether or not this legislation, if enacted, would create a sufficient reserve to take care of the insured mortgages?

Mr. CAMPBELL. Yes, that was taken into consideration.

Mr. ABERNETHY. What is the opinion of the Department?

Mr. CAMPBELL. That based on the experience of the direct loan program over the past 10 years, the proposed change would not endanger the fund and there would be sufficient accumulation in the fund to pay for losses.

Mr. ARNOLD. Did some witness the other day not tell us that these loans only averaged about 17 years in being paid out?

Mr. CAMPBELL. That has been the history of the direct loans for the past 10 years, projected in the future.

Mr. ARNOLD. What are the main points of difference between these amendments here to the Bankhead-Jones bill and the regular FHA loan?

Mr. CAMPBELL. One of the major differences is that the servicing of the loan is done by representatives of the Secretary of Agriculture. The Secretary is the agent of the lender for the purpose of collecting and servicing the loan.

Mr. ARNOLD. Then another point is the difference in the rate.

Mr. CAMPBELL. Yes.

Mr. ARNOLD. The farmers are getting it cheaper and for a longer period of time. The city boy has to pay it out in about 25 years as against 40 for the farmer. Is that right?

Mr. CAMPBELL. Of course, the major distinction is that these loans are for the purpose of acquiring or improving a farm and home, whereas the FHA is the loan only for the purpose of a home.

Mr. ARNOLD. We understand that.

Mr. ANDRESEN. Were you saying that it is the judgment of the Department that due to the experience of the past 10 years you feel that these funds that are collected are adequate to take care of the building up of this guaranty system?

Mr. CAMPBELL. The default history of direct loans, Mr. Andresen, leads us to believe that the smaller amount collected for the fund by virtue of this proposed reduced insurance charge would not endanger the fund and would not deplete it to the extent that we would not have enough to take care of anticipated defaults.

Mr. ANDRESEN. You say that conclusion was reached because of experience during the past 10 years?

Mr. CAMPBELL. That is correct.

Mr. ANDRESEN. Do you think the past 8 years is a fair standard to judge by? Since 1940 you have had a rising market for agricultural commodities.

Mr. CAMPBELL. We recognize that, but since our history has indicated that these loans will be paid off at an average of about 17 years, whereas they are scheduled for 40 years, there should be no call on the fund in spite of the additional high prices of farm products during the past 8 years. We have that cushion to play with before there is any call on the fund.

Mr. ANDRESEN. Well, going back to the thirties, I have seen Federal land banks foreclose on 300,000 farms over a short period of time. That was because of low agricultural prices. I do not know

whether we have reached the peak in this price structure or not, but in all probability we have, and in a short time the situation will be going the other way. Then, of course, it is a question of meeting these obligations.

Mr. PACE. Well, does the gentleman not agree that with our limited faculties there is no possible way that this committee can legislate against an unknown emergency? In other words, I think we might frankly admit that one-half of 1 percent might prove entirely inadequate.

Mr. ANDRESEN. I think it will.

Mr. PACE. But the best calculation we can make now indicate it should, over a period of years, build up a fund adequate to take care of any Government losses and I think what we will have to do as time progresses is to make other changes in the law.

Mr. ANDRESEN. I would rather make that 1 percent than to go into the fund and make the interest rate $4\frac{1}{2}$ percent and be sure to get more money in the fund to take care of any emergency which I think we all recognize is sure to come, perhaps in the next 3 or 4 years.

Mr. PACE. There is something in this bill that has never been in the law up until now. That is, that these borrowers themselves pay the cost of administering the program, with this one-half of 1 percent interest. That goes into the administrative fund to pay Mr. Lasseter and his assistants for making the loans and collecting the loans. So if there should be some losses in the future, we will have the consolation of knowing that up until that point we have saved the Government considerable administrative expense.

Now, the Federal Housing Administration expense that you have spoken of here; we appropriate millions of dollars every year for them to administer that program, but under this, the farmers themselves pay for the administration.

Mr. ANDRESEN. It seems the farmers have to pay in or we pay it out of the Treasury and we have been appropriating money for the administrative expenses of all of these agencies.

Mr. PACE. But you do not under this proposal?

Mr. ANDRESEN. No; under this proposal you do not.

Mr. PACE. I think it ought to be commended rather than condemned.

Mr. ANDRESEN. I just wanted to get at the purpose of it to see that as long as we are changing it we should see that we are making it adequate to function. I would rather see the amount large enough so that it would carry itself. How much do you collect on that one-half of 1 percent?

Mr. CAMPBELL. It depends on the volume of business you do.

Mr. ANDRESEN. It would not be very much right now.

Mr. CAMPBELL. No, sir.

Mr. ANDRESEN. All right; you may proceed. Mr. Lasseter can probably give us some more information on that.

Mr. CAMPBELL. Section 4 of the bill in paragraph 2 on page 3, line 8, makes two changes. First, the existing law provides that if within 30 days after the due date of any installment the mortgagor has failed to pay the amount due, the Secretary shall pay the lender the amount of principal and interest due. The change proposed is to eliminate the 30 days.

Since all the notes under this program are due on March 31, which is a considerable time after the farm is in a position to total its annual

income for the preceding year, it is possible for us to determine on March 31 whether the borrower is going to make the payment with respect to the preceding year. It will simplify the accounting and the transmission of moneys due the lender if we eliminate that waiting period of 30 days to see whether the farmer comes in within 30 days to make the payment after the due date. In effect, he has a longer grace period than 30 days now because his farm income for the preceding year terminates, of course, in January.

Mr. FULLER. May I ask a question there? What is your period of time of defalcation?

Mr. CAMPBELL. There is a due date specified in the note.

Mr. FULLER. As a due date?

Mr. CAMPBELL. March 31 of each year.

Mr. FULLER. In other words, if a man decides that if he could pay his interest and payment, we will say, as of March 31 this year and he knows that he is broke, he has got 12 months before he definitely files or you recognize that he cannot pay any longer.

Mr. CAMPBELL. No, sir; the payment due March 31 is supposed to be out of income earned during the preceding year.

Mr. FULLER. Yes; but supposing this farmer knows that he just cannot hold this piece of property. But he makes every effort possible and pays his payment of principal and interest as of March 31, but he does not intend to pay the next 12 months. He has 12 months of residence and occupation on that farm without notifying you officially that he is going to lose the place?

Mr. CAMPBELL. That is true with respect to any loan.

Mr. PACE. How are you going to insure against that?

Mr. FULLER. Well, he is withdrawing, as I understand. He asked for withdrawal of the 30-day procedure and then he had no definite call date.

Mr. PACE. Will you yield there?

Mr. FULLER. Yes; sure.

Mr. PACE. One reason the interest rate is so low for the banks and insurance companies is that they do not have to even service the loan. Mr. Lasseter services the loan. The law provides that if a farmer's note under this program becomes past due 30 days, Mr. Lasseter must immediately remit to the holder of the loan that payment. Then if the farmer does not pay that payment and get in good standing within another 12 months, Mr. Lasseter is permitted to take over the loan, pay the bank off in full—principal, interest, and legal charges. What he is saying here is that the change is that instead of your buying a farm in August and paying from August to August to August, they have set March 31 as a due date for everybody, even though you got the money on February 1.

Mr. FULLER. That is right.

Mr. PACE. Therefore, inasmuch as the man is going to make a payment March 31 necessarily out of his preceding year's crop, he will have made his payment before March 31 or it will become evident that he is in default. Therefore, they propose to eliminate the 30-day waiting period and just say if he has not paid by March 31 then Mr. Lasseter shall remit the payment to the holder. That is the only thing that has to be done at that particular time. He shall remit to the holder the payment due on March 31.

Mr. ANDRESEN. How long could the borrower be in default before they would foreclose on his place?

Mr. PACE. One year.

Mr. ANDRESEN. That is under the present law.

Mr. PACE. Yes.

Mr. FULLER. Mr. Pace, would you yield there? You say 1 year. Now, there is a legal length of time, even after the end of 12 months, when this corporation starts foreclosure, so how many more months do you run on besides the twelve?

Mr. PACE. You will recall that that is controlled by the laws of each State. It is so much in New York and if we have a power of sale in the security deed it is advertised in 30 days for sale in Georgia. I do not know whether you have that or not.

Mr. CAMPBELL. The second change of section 4 is to exclude from the computation of payments to lenders—that is, payments advanced out of the mortgage insurance fund—those payments which are derived from the sale of mortgaged property or which depreciate the security. In making the payments to the lender occasioned by any default, the law now provides that there shall be excluded from the computation any present payments. This proposal would have the effect of saying when the lender gets a prepayment which is occasioned by the reduction of the mortgage security that those prepayments will not be counted against the money which the Secretary advances from the fund to pay for a subsequent default. For example, where there is a sale of timber, the proceeds are applied on the loan. The Secretary turns it over to the lender. Subsequently, there is a default in payment. Under the existing law, the Secretary would not be permitted to use the mortgage insurance fund to pay the lender for that default. That puts the lender in a little unfavorable position because he does not have as much security as he had when he made the loan, the security having been depleted by the sale of part of the secured property. So in all fairness, if there is subsequent default, the prepayment occasioned by the reduction of the security should not prevent the lender from being reimbursed for the annual installment which is defaulted.

Line 1, paragraph 3, has the effect of permitting the Secretary to use the fund for the protection of secured property. Under the existing law, the Secretary is authorized to use the fund for the payment of taxes and other charges against the property only after the Secretary takes over the mortgage at the end of a 12-month default period. There is no present provision for reimbursing the lender for advances made by him for taxes, insurance, and other charges which the borrower failed to pay. This proposal would permit the lender to make such advances and add that to the principal amount of the indebtedness insured and, if not promptly paid, call on the mortgage insurance fund to make the lender whole. If the lender failed to do it then the proposed change would authorize the Secretary to do it.

Mr. PACE. Of course, he would be subject to any payments——

Mr. CAMPBELL. That is merely a device to give the Government more security by keeping the property from being sold out from under him for taxes, and avoiding loss by virtue of not having insurance on buildings.

Mr. GRANGER. Mr. Chairman.

The CHAIRMAN. Mr. Granger.

Mr. GRANGER. Where does the Secretary get the money to pay defaults?

Mr. CAMPBELL. There was an appropriation of \$1,000,000 to constitute the mortgage insurance fund, which the law authorizes to be created. The law authorized a fund of \$25,000,000, only \$1,000,000 of which was appropriated.

Mr. GRANGER. That is a revolving fund?

Mr. CAMPBELL. That is a revolving fund.

Mr. GRANGER. It seems to me that that makes the administration easier for you to administer; it also seems to me it makes these loans more desirable, does it not? The person who loans the money to the farmer does not even have to wait 30 days. When the due date arrives, he gets his money. Is that true?

Mr. CAMPBELL. That is correct, under the proposed change, yes, sir.

Mr. GRANGER. That is a new thing, is it not? Generally in any contract you have a 30-day grace period.

Mr. CAMPBELL. Well, of course, he here is entitled to his money under the contract on the due date. The grace period extended, if any, by a lender is a matter of comity and I do not suppose any lender has to extend it.

Mr. GRANGER. It seems to me certainly it makes this a desirable loan inasmuch as the lender neither has to service the loan nor worry about whether it is going to be paid or not. It is handed right to him, is it not?

Mr. CAMPBELL. I think it should make it more attractive, yes, sir.

Mr. ANDRESEN. Now, this one-half of 1 percent that is collected, that can also be used to pay these taxes or insurance out of the guarantee fund?

Mr. CAMPBELL. We thought that was designed to cover the overhead cost of administration, Congressman Andresen.

Mr. ANDRESEN. I do not mean that half. I mean the other half of those in the guarantee fund.

Mr. CAMPBELL. Quite true. That becomes merged with the million dollars already appropriated. We make no distinction after we have collected that one-half of 1 percent and put it in the insurance fund. We do not keep a separate account of that and the million dollars which Congress appropriated. It is all a part of the same fund.

Mr. GRANGER. Will the gentleman yield? Then it is not the intention to pay that million dollar revolving fund back to the Government?

Mr. CAMPBELL. That million dollars is in the Treasury, presently invested in Government securities.

Mr. GRANGER. I know, but that is money taken from the Treasury, is it not?

Mr. Campbell. If the charge of one-half of 1 percent exceeds the calls on the insurance fund by a sufficient amount, it may be possible some day to return that initial advance of 1 million dollars to the Treasury.

Mr. GRANGER. I had understood that this program would pay for itself.

Mr. PACE. That is right.

Mr. GRANGER. This one-half of 1 percent is supposed to be accumulated to pay——

Mr. PACE. One-half of 1 percent is to pay the cost of servicing and making the loans and one-half of 1 percent is the insured mortgage fund to take care of any losses.

Now, inasmuch as the Government is issuing its insurance policy against these, the act provides that the Government should put up for the time being a revolving fund. Mr. Lasseter has not, I do not expect, five thousand dollars in this fund today. If a loan went bad this year, he would not have sufficient money to operate with, so this million dollars is put up as a revolving fund that he can build up with. Have I made it clear?

Mr. GRANGER. Yes.

Mr. ANDRESEN. At the same time, Mr. Pace, I can conceive of how they could use the entire fund to pay the insurance and pay the taxes on a good many pieces of property where there had been default on meeting those obligations.

Mr. PACE. Well, while we are arguing this question, we might get into the problem here of what is going to happen to the nearly 11 billion dollars worth of FHA city loans that have been made. This is not comparable to that. The Government has an obligation with them up to date of somewhere between 10 and 11 billion dollars. We are talking about 1 million dollars here.

The CHAIRMAN. Well, theoretically, when this thing ends, if it ever does, the million dollars will be there and it will go back into the Treasury. It might be that it could be put back before that time if it accumulated rapidly enough. You may proceed, Mr. Campbell.

Mr. CAMPBELL. Paragraph 4 at the bottom of page 3 and continuing on to the top of page 4, is a technical accounting change occasioned by the provision of existing law which requires that when any money is paid out of the mortgage-insurance fund it shall be repaid to the fund out of the first available collections with interest on the money so advanced. That provision requires a computation of interest at the time of the repayment. It is desirable to compute the interest twice a year to save administrative costs.

The proposed change would permit the repayment of the interest on the money advanced out of the fund at the time when interest on principal of the loan is computed rather than at the time of the first repayment. If a borrower defaults in March and there is a payment out of the mortgage-insurance fund to the lender for that installment, then he gets a cash check, or brings in some other small item of income in May, the accounting people would have to stop and figure the interest from the 31st of March to the date of payment on the amount which was advanced to the lender.

Under this proposal they would carry that charge until the next accrual date for interest, which would probably be September, and the interest would be advanced to the date of payment, but it would be collected from the borrower only after it had been computed at the regular interest accrual date. It is not a significant change, but it will simplify the accounting.

Mr. ANDRESEN. I am glad to hear you say you expect him to pay it out of his cash check. There may not be any cash checks.

Mr. CAMPBELL. Perhaps that was an unfortunate example.

Section 5 of the bill was a major change which would authorize the Secretary of Agriculture to enter into agreements with the insured

lenders that at the end of a period fixed by the Secretary, the period not to be less than 5 years, the Secretary would, if requested by the lender, repurchase the insured mortgage. The effect of it is to provide some place for the mortgage to move in the event the lender is forced to turn the paper.

Mr. ARNOLD. That is in the event the insurance company or the small-town bank did not want to buy it? Then it would fall back in the Treasury?

Mr. CAMPBELL. If the holder be a small-town bank and the bank elects to discount it with a corresponding bank of the Federal Reserve, well and good. If he figures that that discount is going to cost him too much, he would be permitted, when circumstances here described occurred, to ask the Secretary to purchase the mortgage at the value of the mortgage at that time.

Mr. ARNOLD. Now, these amendments are for the purpose of getting the Treasury out of the lending service, are they not?

Mr. CAMPBELL. That is quite true, but this provision goes further and authorizes the Secretary to dispose of such mortgages which he acquires in that manner.

Mr. ARNOLD. Then if the country bank thinks the interest rate is too low and they do not want to buy this paper, it would fall back on the Treasury? They would have to finance it? Have you any idea how much of that they would have to do?

Mr. CAMPBELL. That would probably depend on economic conditions, generally. But it is not the design of these proposals to accumulate and hold in the mortgage-insurance fund any paper which the country bank or the private lender elected to turn back to the Secretary. The idea of them is to make the program flexible enough so that it can accommodate an individual lender. As soon as possible after purchase, the paper would be sold by the Secretary to another investor.

Mr. ARNOLD. But a small bank has to hold it for a period of 5 years before they can dispose of it.

Mr. CAMPBELL. That is right.

Mr. PACE. Wait right there. That statement would necessarily have to be qualified because the bank can discount this paper any date it wants to. The Secretary does not have to take it over in 5 years.

Mr. ARNOLD. He has to find a market for it. Where is he going to take it with a low rate of interest outside the Government?

Mr. PACE. Well, the bank that bought it originally may find another bank to take it over or he can discount it with the Federal Reserve or discount it any other way. I did not want the record to show that the bank had to hold it 5 years.

Mr. ARNOLD. If they can find a buyer at that low rate of interest, of course, they can sell it, but suppose you cannot find a buyer? Mr. Andresen suggested a while ago conditions might change to where they all want to sell this paper.

Mr. PACE. Please understand that one of the reasons this interest rate is low is that the bank does not have to turn its finger. This paper is just exactly like a Government bond except that they do not even have to clip the bond. If the loan is not paid the day it is due, Mr. Lasseter remits the money to them.

Mr. ARNOLD. Well, if a depression sets in then the whole works would be dumped back on the Treasury. The chances are the banks would not have anything to do with it.

Mr. PACE. There are lots of Government bonds being sold today that cannot be cashed in for 5 or 10 years.

Mr. ARNOLD. Next year or the following year, it might be entirely different. We are setting up a situation here where we will not know where we are at regarding finance. The Government might have to take the whole works over.

Mr. PACE. Is the same thing not true of those Government securities that the banks are buying now that they cannot liquidate for 5 or 10 years?

Mr. ARNOLD. The FHA loans now on the books draw $4\frac{1}{2}$ or 5 percent interest.

Mr. PACE. I have not heard of any drawing 5 percent.

Mr. ARNOLD. I am talking about city loans, to the boys in the cities who are building homes.

Mr. COOLEY. I would just like to say that when the matter was first considered, the argument was made on this committee, by several members, that the banks would profit to an excess amount in handling the loan. In other words, they wanted to make the interest rate lower because, as Mr. Pace points out, they actually perform no service and run no risk.

Mr. ARNOLD. Mr. Cooley, that is for the country bank. Of course, the big insurance companies will take this paper, but they have no interest in the farmer who is trying to improve his farm and have a modern home whereas the country banker would be interested in helping to market his stuff and telling him when to sell it and they are not going to do that if they do not get a reasonable rate of interest.

Mr. COOLEY. I think the argument was made that the rate was excessive because of the risk involved and the fact that there were no services performed. The only thing they have to do is provide the capital.

The CHAIRMAN. Of course, this provision is going to make it much more attractive to bankers.

Mr. ARNOLD. Mr. Chairman, the interest rates have already gone up.

The CHAIRMAN. What I am speaking of now, if the interest rate goes up—if the general level of interest rates goes up after a mortgage is made and the banker thinks he is not getting enough on this he can mail it in to the Treasury and get his money out of it and that is all there is to it.

Now, that certainly is going to make it much more attractive to the banks.

Mr. ARNOLD. Well, if the Treasury has the money there, it is all right, but there might come a time when the Treasury would be low. That might happen with our own Government. You would have to sell bonds to get this money.

Mr. ANDRESEN. There is one thing I would like to bring up. I understood you to say that a local investor could take over one of these mortgages at any time. Maybe I do not read the language correctly. I understood that it could be 1 year after the time fixed in the contract, and the time fixed in the contract is 5 years.

Mr. CAMPBELL. This would be an additional provision. There is a provision in the law now which would not be changed, which says that

an insured mortgage may be assigned at any time by the holder thereof with notice to the Secretary. That is, assigned to anybody he can sell it to. This is a provision which permits the Secretary, in the event the present holder of the mortgage cannot find anybody to sell it to, to come to the Secretary and say, "My 5 years is up now and I have got to move this paper. I cannot find anybody who wants to buy it." The Secretary says, "I will take it under my contract with you. I will peddle it out to somebody who will take it." But, prior to the 5 years, the lender is at liberty to assign the mortgage to anyone he wants to assign it to. The only reason the 5-year limit was put in was to get away from the criticism that developed over the secondary market for GI loans where the lender would put his money into it and then 30 days later call on the secondary market.

Maybe the 5 years is not the right limitation, but it is our considered opinion that the lender should be willing to, when he goes into an insured mortgage, see 5 years ahead and see that he can hold it that long.

Mr. PACE. The truth about the matter is that many of the banks have commented that if they knew they could get rid of the paper within 5 years, they would be glad to make the loan.

Mr. CAMPBELL. I think that is right, sir.

Mr. ANDRESEN. Well, of course, the only thing is, as was pointed out here, if interest rates should go up materially most of these mortgages might come down to the United States Government.

Mr. CAMPBELL. Even so, it would be a staggered proposition, Mr. Andresen, because it is 5 years from the date the loan was made and as we progress, the amount which would come back in any one year would be limited by the amount made 5 years previously.

Mr. GRANGER. Will the gentleman yield?

If interest rates went up, there would not be any loans made, would there?

Mr. ANDRESEN. I think if interest rates go up and the prices of farm commodities go down, you will find a greater demand for loans in a good many areas of the country. If the price levels stay up, the interest rate will not amount to a great deal.

Mr. ARNOLD. Mr. Chairman, could I ask Mr. Campbell a question?

The CHAIRMAN. Mr. Murray wanted to ask a question.

Mr. MURRAY. The only point, which I think was covered when I was not here, I have never heard much discussion on the possibility of these loans so far as individuals are concerned rather than some financial institution. For example, as people get older and they want to dispose of their farms, they want to sell them to their own sons. The father at the present time does not know where to invest his money without losing it. He can get twice as much for it as he could if he puts it in his local bank. It keeps many people from selling out because they cannot get any returns on the money after they do sell out. They should sell out and they want to sell out. I think it is a factor that is involved in this whole program where you stimulate farm ownership within the family if the father has a guaranteed loan. To him, that is a good rate of interest, 3 percent.

Mr. CAMPBELL. Some of the loans already made and insured have been made to vendors of land and in some cases to the relatives of the borrower who could not afford to help him otherwise than by the insured-mortgage method.

Mr. MURRAY. He could only get 1 or $1\frac{1}{2}$ percent for his money if he put it in the bank. He would say, "Well, I will have to be a rich man before I retire," whereas if he could get a guaranteed loan of 3 percent, there would be much more tendency to turn it over to one of his sons. In all the discussions I have heard, I have never heard that point stressed. If I were selling this idea to the people, I would try to emphasize it rather than be worrying so much about the banks or insurance companies, because my observations of 50 years have convinced me that they have a pretty good way of taking care of themselves. I would put emphasis on this other angle.

Mr. ANDRESEN. Well, under the present policy, this farmer who wants to sell to his son might not be eligible for a loan.

Mr. MURRAY. That might be, but that will be determined by the appraisers and it does not necessarily have to be his son. It could be some of his relatives or someone that he is particularly interested in. He would be tempted to get off that farm and he wants to get off it, and yet he would not have enough money to live on if he does get off it at $1\frac{1}{2}$ percent, or 1 percent some places, but if he knows that he had a guaranteed loan and he was as sure of his money as if he had it in the bank and could get a 3 percent return, I cannot help believing that many of these loans would be made and if he does not have the right kind of a farm, of course, you would not want this agency to loan the money.

Mr. ANDRESEN. It would be better for the farmer to sell the land to his son under a contract and get 4 percent than go through the Home Owners' Loan Corporation where he would only get 3 percent.

Mr. MURRAY. It probably would if he could get it done, but I think the old man would be better off with a guaranteed loan of 3 percent in most cases. This other sounds all right under contract, but lots of times they have more than one child and this way they have a closed deal. He has his guaranteed loan for so much at 3 percent interest. It would only be a 90 percent loan.

Mr. PACE. It could be no more than 90 percent.

Mr. ANDRESEN. You have to put up farm machinery?

Mr. PACE. No, he has to put up 10 percent under the law.

Mr. ARNOLD. Mr. Chairman.

The CHAIRMAN. Mr. Arnold.

Mr. ARNOLD. Mr. Campbell, you are more or less familiar with the Federal Housing Administration?

Mr. CAMPBELL. Somewhat.

Mr. ARNOLD. Is it correct that they are self-sustaining and that they have a surplus on hand?

Mr. CAMPBELL. I am not that familiar with it.

Mr. ARNOLD. Is this plan set up so that the same results will obtain in this plan? Do you expect it to be self-sustaining and if not now to get self-sustaining.

Mr. CAMPBELL. Yes, sir.

Mr. ARNOLD. And you are satisfied you have a plan to do that?

Mr. CAMPBELL. Only experience can tell and it will depend on how successful we are in getting the volume of business.

Mr. ARNOLD. It is similar to the Federal housing plan where the city boy can borrow money in building a home. This same plan is being promulgated for the farmer.

Mr. CAMPBELL. That is correct with with the differences I pointed out.

Mr. ARNOLD. How long has it been operated?

Mr. CAMPBELL. It has been actually in operation since last October. The authority was in the act of August 14, 1946.

Mr. ARNOLD. And it is your opinion, and the Department's opinion that it will get to be self-sustaining?

Mr. CAMPBELL. We certainly hope so. We hope it can be made attractive enough to lenders to get a volume of business sufficient to make it sustaining under the provisions of the present law or such modifications as are necessary to make it self-sustaining.

Mr. ARNOLD. Now, the rate you have set up in the limits there is lower than the Federal housing rates. I am just wondering if the thing will work out with a cheap interest rate. That would be my only objection to the amendments, would be that we do not have the interest rate.

Mr. COOLEY. Mr. Arnold, Mr. Murray, I think, maintains that the interest rate probably should be lower. Do you not, Mr. Murray?

Mr. MURRAY. No; what the Pace amendment does is to raise the interest rate instead of lowering it.

Mr. ARNOLD. It does not raise it high enough.

Mr. PACE. Let me say that we started off with 2½ percent for the lender. We find that is not quite high enough. We have cause to believe that 3 percent will prove attractive. If it does not, then will have to come back here again in a year or two and raise it up another half percent.

Mr. ARNOLD. That will be fine, I will be for that. I am sure it will have to be done, Mr. Pace. It is set up now in prosperous times when the farmer gets high prices for his stuff. It is all right now, but maybe it should be set up for a little tighter times. The interest rates are going up now. You can pick up any newspaper and they will tell you that the rates are getting higher and the bankers are getting a little tighter about making loans.

Mr. PACE. It is exactly like I said the other day about the city FHA loans. I think that law has been amended 25 times to make it fit. The same thing is going to have to happen with this.

Mr. ARNOLD. Well, the city FHA loans run 25 years and this runs 40 years.

Mr. PACE. But the Senate is now proposing to raise that to 40 and it will likely be done before Congress adjourns.

Mr. GRANGER. May I ask a question? We are talking about country banks. What is your experience on these types of loans, or to what extent have the country banks bought this kind of paper?

Mr. CAMPBELL. I would rather refer that question to Mr. Lasseter.

Mr. PACE. Go ahead.

Mr. CAMPBELL. Sections 6 and 7 of the bill are technical amendments to tie in with the amendment I discussed some time ago about preserving the security. The present law does not authorize the use of the mortgage insurance fund for the preservation of the property except after the Secretary takes title to the property. There are many expenses of preservation of property before that time which we feel should be paid and charged as a recoverable expense against the property. Those will be returned to the fund after the property is sold at foreclosure. Expenses of sale at foreclosure and fees and so on are included. I believe that covers the technical changes.

Mr. ANDRESEN. That charge is all charged against the land?

Mr. CAMPBELL. Correct.

Mr. ANDRESEN. So if it is sold again, you will have all those figures in there and the fund can be reimbursed?

Mr. CAMPBELL. It will, sir.

The CHAIRMAN. We thank you very much.

We will ask you to come forward now, Mr. Lasseter. If you desire to make a statement, we will be glad to have you do that.

**STATEMENT OF D. B. LASSETER, ADMINISTRATOR,
FARMERS HOME ADMINISTRATION**

Mr. LASSETER. Thank you, Mr. Chairman and members of the committee.

I think I might very quickly review the history of our operations in this program.

As has been pointed out, this is title I of the act of August 14, 1946, which was activated November 14, 1946. This particular title was not activated until July of last year when the \$1,000,000 fund was voted by the Congress. The first loan was made on October 3. Since then we have approved 251 loans. Up to December only 21 loans were made. I might say that the first loan was made in Georgia. The first tenant purchase loan was made in Georgia. The first farm development and the first farm expansion loans were made in Colorado, Alamosa. The States that have shown the most interest in it have been scattered. Minnesota leads all other States in actual loans made.

Mr. COOLEY. What State was that?

Mr. LASSETER. Minnesota. Closely behind that are Michigan, Missouri, Wisconsin, and Georgia, with some scattering in between. We have had very little interest from the far West, Mr. Granger. As I pointed out here the other day, the program is now slowing down on account of the tightening of the interest rates. I have talked with many bankers and with bankers associations throughout the country and the two objections, of course, are the low interest rate and, of course, the fact that there is no secondary market available within a reasonable period of time.

Mr. COOLEY. Mr. Lasseter, may I interrupt to ask you if there is much objection on the part of the bankers to the fact that the loan runs for 40 years?

Mr. LASSETER. Not that it runs for 40 years, but they would like to sell it under certain circumstances before that time. They do not feel justified in having too much of that 40-year paper in their banks. They realize that the odds are that it will not run for 40 years. The best explanation of this program I have ever heard was from a banker in New Jersey who said over the radio that this program was not a 40-year loan. He did not consider it as such. He said that the borrower was going to show up many years before that whether he was going to make a success of it or not. He was either going to be anticipating his payments and getting his big equity in it or paying it off, or he was going to indicate in much less than 40 years whether we would have to take it over or not.

Mr. ARNOLD. Mr. Cooley, will you yield there? I think it has already been stated here that the experience in lending has been that it was paid off in 17 years.

Mr. LASSETER. That is the average, yes, sir, 17 years. I might say that in the administration of this program we have not been granted an extra penny by the Appropriations Committee for its administration.

Mr. COOLEY. May I interrupt there? You say the average has been paying it off in 17 years. The program has not been in operation for 17 years.

Mr. LASSETER. But the accountants estimate they will run an average of 17 years.

Mr. COOLEY. That they will be paid in 17 years?

Mr. LASSETER. That is right. For instance, under the old program we are being paid up at that rate, the direct program about which you spoke a while ago, Mr. Arnold. That in general is the situation. We have not asked for an extra cent for the administration. The one-half of one per cent this year will probably yield \$10,000. I might also point out that we are handling that with our normal staff which has been reduced drastically within the past few years and this is not quite relevant to this point, but I would like to tell this committee that we are running our program now with an overhead of less than 3 percent. The money that we are administering or collecting and servicing shows an overhead cost of all administrative purposes of slightly less than 3 percent and that includes the initiation of this program.

Mr. ANDRESEN. How much was that for the last year in dollars and cents?

Mr. LASSETER. Last year our administrative costs were \$21,000,000. At the beginning of the year, we had over \$800,000,000 of loans to service, including our new loans, Mr. Andresen.

Mr. ARNOLD. Do you have agents in the field soliciting these loans?

Mr. LASSETER. We do not solicit any loans.

Mr. PACE. Mr. Lasseter, make it clear that that \$21,000,000 administrative cost is not on this program.

Mr. LASSETER. I said it was on the basis of servicing over \$800,000,000. We have over \$800,000,000 on our books and we are also making new loans and the overhead cost this year is \$21,000,000.

Mr. ANDRESEN. Do you intend to make all of the loans of your corporation under the guarantee provision?

Mr. LASSETER. No, sir. The estimates for next year, which the House has already voted, gives us \$15,000,000 in direct loans, sir. Practically all of that, to be exact; this year, 80 percent of that has been for veterans to purchase farms. That is the 100 percent loan under the original Bankhead-Jones Act.

Mr. ARNOLD. You use that up before you start on the other?

Mr. LASSETER. No, sir; we do not; we try to run them side by side. As Mr. Pace pointed out a while ago, Congress has reduced the fund for direct purchases from \$50,000,000 a year down to \$15,000,000 a year. What we are trying to do is to gradually work this program in to take the place of the other program.

Mr. PACE. Do you not want to point out that under the law and your regulations nobody can get a direct hundred percent Government loan if they can qualify for an insured loan?

Mr. LASSETER. Well, we are doing that; yes, sir. If a man comes into our county office for a loan, our regulation is that they should try to

get him on this insured mortgage program rather than on the direct loan, 100-percent loan.

Mr. PACE. And you hope that within 2 or 3 years you will move out of the direct loan and operate entirely on insured loans?

Mr. LASSETER. In the shortest time possible.

Mr. ARNOLD. Do you try to talk the borrower into that?

Mr. LASSETER. It is the duty of our supervisor to point out this program and see if it is possible to obtain a private investor. Some individuals have made loans on this program. It is just a very few, but we consider that as a good field.

Mr. ANDRESEN. How much were your collections last year?

Mr. LASSETER. On this program, or our total program?

Mr. ANDRESEN. Your total program.

Mr. LASSETER. We had about six or seven million dollars loaned last year and the collections this past year would run over two for one.

Mr. ANDRESEN. You mean two for one over the expenses?

Mr. LASSETER. Two for one over the amount of money loaned. For every dollar loaned this past year, we have been collecting \$2. Then the interest comes in. We are collecting more interest than we are paying out in administrative costs.

Mr. ANDRESEN. Then you are collecting more than \$21,000,000 interest?

Mr. LASSETER. Oh, yes, sir.

Mr. ANDRESEN. What happens to the money that comes in where they are paying off their loans? Does that go back into the Treasury?

Mr. LASSETER. Into the miscellaneous-receipts fund of the Treasury. We have no revolving fund or no access to that money.

Mr. ANDRESEN. Then the need for this type of legislation is to create additional funds for you through the marketing of the security to some local investor? Maybe I do not make myself clear. If the money that you are collecting goes to the Treasury, then you need additional money to loan out in addition to the appropriation you may get from Congress, so that the reason for this legislation, as I understand it, is to increase the interest rate so that you can sell a loan, this guaranteed loan, to some bank or some investor which will provide you with more money to loan out and keep as sort of a revolving fund.

Mr. LASSETER. It would amount to that except, of course, it would not be our money. If I collected this money this year, I could keep it and relend it and that would be a revolving fund. I imagine this would amount to practically the same thing. It would provide a source of funds; yes, sir.

Mr. ANDRESEN. That is what I am getting at.

Mr. LASSETER. That is right; out of private capital instead of Government funds.

Mr. ANDRESEN. At the present time, it is your feeling that the interest rate is not high enough to induce local investors to buy these mortgages?

Mr. LASSETER. Yes, sir; that is our experience, sir.

Mr. MURRAY. Mr. Chairman, may I bring in one more thing? I call your attention to the fact that—it happened before I was a Member of Congress, and I do not want to give these figures from memory from 8 or 9 years past—but in the housing program of New York the total subsidy in connection with that project was in the millions. This forenoon, since I saw you gentlemen on the way in

here, a very substantial Member of Congress came to me and said, "Do you know what they have over in the Senate?" I said, "I would not know. I cannot keep track of what is going on in the House." You see, within the last 3 weeks we extended a \$2,000,000,000 grant for guaranteeing loans of the cities. I am just quoting now what this fellow said to me, that the Senate has substituted the WET bill, which as you know surely includes a subsidy from the Federal Treasury for our city cousins to live in a house with running water and this program is not asking for a subsidy of one dollar, except maybe a little on the administration, which is just one more reason why the bill has merit and should have the support of every member of this committee if it does not have the support of every Member of Congress, on the basis of fairness between groups of people. If we are going to pay taxes and fix it up where somebody who cannot speak the English language in New York City can live in a house, I certainly would like to have these people who have been in the United States long enough to speak the English language have somewhere near a comparable set-up.

Mr. PACE. Will the gentleman yield?

My recollection is that under the present housing program for the city dwellers, the average subsidy is \$60,000,000.

Mr. MURRAY. As I remember, it was \$76,000,000.

Mr. PACE. All of which the Government just gives to those people.

Mr. ARNOLD. Mr. Lasseter, what percent of losses have you had?

Mr. LASSETER. The last figures of losses I have had, Mr. Arnold, that we have written off on this farm purchase program—we have two distinct programs. One is the operating program and I will not discuss that. We have written off, according to the last figures I have, \$54,000 out of over \$2,000,000 loaned.

Mr. ARNOLD. What percent will that be?

Mr. LASSETER. About one-tenth of 1 percent or something like that. Of that \$54,000, I do not think there will be more than a \$14,000 loss.

Mr. ARNOLD. That is a smaller loss than the retailing business has.

Mr. LASSETER. I made the statement a few weeks ago that the American farmer is the best business risk I know.

Mr. ABERNETHY. That particularly applies in your State.

Mr. LASSETER. I made the statement in your State.

Mr. MURRAY. Mr. Chairman, that is borne out by the record of the loans that were made under very adverse price conditions between 1933 and 1937 when agriculture was at its lowest ebb through the production credit of the RACC. The losses were absolutely infinitesimal compared to the millions that were loaned under that program. The last time I checked, they had only a million dollars and they had loaned between three and four hundred million dollars.

Mr. LASSETER. In order to make it clear, Mr. Murray, the operating program record has not been as good as this farm purchase program for the reason you said. We have to carry on our books all of that money that was loaned under distressed conditions, but even then we are just up to about 90 percent of that money.

Mr. MURRAY. Mr. Chairman, at this point could I find out what progress is being made in collecting those old seed loans that Mr. Lemke and the rest of them on our subcommittee had?

The CHAIRMAN. If Mr. Lasseter has the information, yes.

Mr. LASSETER. We are collecting that money rather rapidly. We are also making progress, Mr. Murray, in the cancellation of those that

cannot be collected and in the adjustments. I think we have reached a rate now of about 4,000 adjustments a month. However, that is still a big job ahead of us, but we have collected of those old loans over \$9,000,000, I think, this year, since I was up before the Appropriations Committee last year. Some times those loans are 18 or 20 years old.

I might say that week before last out in Chicago three people went in there and stayed a week and collected \$15,000 from people who owe that money who left the farm a good many years ago. They did not put pressure on them. We just let them know that the man was going to be there and that much money came in voluntarily from people who left the farm and who owed on those loans. So they are making an effort to pay it.

If our agency did not do anything else and if I used a whole staff for that alone, it would take several years to ever get that wiped out because there were over 900,000 of those loans. It is a tremendous job.

The CHAIRMAN. How many are outstanding now?

Mr. LASSETER. Over 900,000.

The CHAIRMAN. Outstanding at this time?

Mr. LASSETER. Yes, sir. This year we will get rid of over 50,000. It is accelerating. We really did not get the program started until about September or October. It is accelerating. The cancellations, the compromises and the collections, sir, are accelerating.

Mr. ARNOLD. Most of those loans are outlawed, too.

Mr. LASSETER. They are never outlawed under the law. There is no statute of limitations at all. That surprises a good many of them. They think there is. Even some lawyers have told them that there was a statute of limitation and they did not have to pay it. They soon learned otherwise.

The CHAIRMAN. Are there any further questions of Mr. Lasseter? Did you have any further statement?

Mr. GRANGER. Is the payment on these old loans sufficient to pay the cost of administration and collection?

Mr. LASSETER. I would say parenthetically that our people in the field are spread too thin, but I do not think that is costing us much. The Appropriations has given me a million dollars for that purpose this year, but even then they are spread awfully thin to do their regular work and even the book work in connection with the cancellation of a loan takes a lot of time to satisfy the Government requirements. As I say, we are spread very thin in the field.

The CHAIRMAN. Do you have any further statement, Mr. Lasseter, that you want to make?

Mr. LASSETER. I do not think so. I will be glad to answer any questions.

The CHAIRMAN. If there are no further questions, we thank you very much for coming.

Mr. LASSETER. Thank you.

Mr. COOLEY. Mr. Chairman, I move that we report the bill.

The CHAIRMAN. The Chair suggests we go into executive session for further consideration of this bill. The committee will go into executive session at this time.

(Whereupon, at 11:40 a. m., Wednesday, April 14, 1948, the committee went into executive session.)

AMENDING TITLE I OF THE BANKHEAD-JONES FARM TENANT ACT

APRIL 30, 1948.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HOPE, from the Committee on Agriculture, submitted the
following

REPORT

[To accompany H. R. 6114]

The Committee on Agriculture, to whom was referred the bill (H. R. 6114) to amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of insured loan security, and for other purposes, having considered the same, report thereon with a recommendation that it do pass.

STATEMENT

The Secretary of Agriculture is authorized, by the amendments to the Bankhead-Jones Farm Tenant Act contained in the Farmers Home Administration Act of 1946, approved August 14, 1946 (60 Stat. 1062), to insure mortgage loans made by private lenders to qualified veterans, tenants, share croppers, and farm laborers, for the purpose of acquiring, enlarging, and improving family size farm units. Mortgages to be eligible for insurance must require, among other things, amortized repayments in not more than 40 years, provide for a base rate of interest of 2½ percent per annum, secure a principal obligation not to exceed 90 percent of the normal earning capacity value of the farm and necessary repairs and improvements thereon, and contain a covenant by the borrower to pay the Secretary an initial and annual charge of 1 percent of the principal obligation, one-half to be paid into a mortgage insurance fund and the remaining one-half to be used by the Secretary for administrative expenses. The Secretary of Agriculture makes all collections and services the loans for the lenders of the funds. The first loans were insured by the Secretary of Agriculture in October 1947 after funds were appropriated for the mortgage insurance fund

in the Agricultural Appropriation Act, approved July 30, 1947. As of March 31, 1948, a total of 116 loans were insured. There have been approved and are now in process of being insured an additional 135 loans. There are, however, about 8,900 approved applicants who are eligible for insured loans when they can find farms which can be purchased at normal earning capacity value and when lenders can be found to furnish the loan funds.

Lenders generally have been reluctant to make more than a few insured mortgage loans in their communities under this authority and have given as primary reasons the low interest rate and the fact that there is no assurance that they will be able to sell the insured mortgage obligation unless the mortgage becomes in default. Although it is anticipated that most of the 40-year loans will probably be paid out in a considerably less time than the maximum time permitted under the amortization schedule, many lenders feel that changing economic conditions within the repayment period may require them to dispose of the obligation at an earlier date in order to maintain a liquid position for their mortgage portfolio. The provision of the present law permitting the assignment of insured mortgages to another investor is not considered adequate to provide this protection.

The proposed bill would remove these two major obstacles to the acceptability of the program by private lenders. It would raise the interest rate on insured mortgage loans from $2\frac{1}{2}$ to 3 percent and make a necessary comparable change in the interest rate on direct title I loans by the Secretary for similar purposes. It was recognized when the law was enacted that the charges to insured loan borrowers and direct loan borrowers would have to be comparable to permit both programs to operate effectively.

In developing the insured mortgage program and in making the first loans thereunder, it has been demonstrated that several provisions of the act need technical modifications. The bill authorizes advances out of the mortgage insurance fund for the preservation of the insured mortgage security and makes certain other technical changes in the act to facilitate its administration, as will more fully appear in the following analysis.

ANALYSIS OF THE BILL

Section 1 would increase from $3\frac{1}{2}$ to 4 percent the interest rate on direct title I loans for farm acquisition, enlargement, and improvement, and section 2 would increase the interest rate on insured mortgage obligations from $2\frac{1}{2}$ to 3 percent per annum. This latter rate, with the 1-percent mortgage insurance and administrative charge, would result in the payment by a direct loan borrower and by an insured loan borrower of the same total rate of charges on the loan. The insured loan borrower may, however, be subject to the additional appraisal and other incidental charges, as now provided in the act. These changes are proposed to improve the competitive position of insured mortgages with other long-term securities.

Section 3 of the bill would facilitate and clarify the method of computing the annual charge paid by the insured mortgagor. It is proposed that the charge be at the rate of 1 percent per annum of the principal obligation remaining unpaid after the due date of the last preceding installment. The present law requires the charge to be computed without regard to delinquencies or prepayments. This

might tend to discourage prepayments and is inconsistent with the variable payment plan authorized by section 48 of the Bankhead-Jones Farm Tenant Act, as amended, which provides for advance payments in periods of above normal income.

The present law also requires that an initial insurance charge be paid for 1 full year in advance at the time of loan closing. The proposed amendment would change this by authorizing an initial charge to cover only that portion of the year from loan closing to the due date of the first installment. As a matter of administrative policy, all insured loans are payable annually on March 31 for ease of administrative handling. The bill would, therefore, authorize the first annual insurance charge to cover the period from loan closing to the next succeeding March 31. The second and succeeding charges would be payable on or before the second and succeeding installment due dates. The insurance charge and annual installments would then be due on the same dates. In the interest of having one system of computation, this section would also authorize the application of the proposed method to existing insured loan accounts.

Section 4, subsection (2), would require the Secretary to pay promptly from the mortgage insurance fund any amounts due on the loans not paid by the borrower. At the present time, such payments out of the insured mortgage fund are not payable until after 30 days from the due date of the installment. Since it is possible to determine by March 31, the due date of all notes as explained above, whether the borrower can make the required payments from income received during the preceding calendar year, it is unnecessary to provide an additional 30 days during which the accounting to the insured lender must be held in abeyance.

Payments to the mortgagee out of the mortgage insurance fund would be computed without regard to prepayments which represent depreciation of the mortgaged property by voluntary or involuntary sale or release. This subsection will also clarify the use of the term "prepayments" by providing in substance that when the security is depreciated by the involuntary or voluntary sale or lease of mortgaged property, the proceeds therefrom will not be applied so as to relieve the debtor from the obligation of meeting out of other funds scheduled annual installments when due in accordance with the terms of the note so long as any of the debt remains unpaid.

Subsections (3) and (4) of section 4 would enable the Secretary to use the mortgage insurance fund for the purpose of making advances for the account of the mortgagor for the payment of property insurance premiums, and taxes, assessments, and items of similar character, which the mortgage requires to be paid by the mortgagor and which, if not discharged, may affect the security or become liens ahead of the insured mortgage. The law now provides that the Secretary may reimburse the mortgagee for paying such costs only upon assignment to the Government of mortgages in default. The proposed provision is necessary for the preservation and protection of the insured loan security in the event the mortgagor or mortgagee fail to pay such charges. Subsection (3) would authorize the Secretary to make such advances either before or after the assignment of the mortgage to the Secretary. Such advances would be repayable to the fund out of the first available collections, and if not repaid by

the borrower would constitute a charge against the land secured by the mortgage.

Subsection (4) is designed to facilitate interest computations at periodic intervals. Under the present law, if advances are made from the fund, interest must be charged on such advances and must be collected out of the first available collection from the mortgagor. Interest on the principal account is computed only twice a year. Under the proposed change, the interest on the advances would be computed at the same time and collected out of subsequent payments by the mortgagor.

Section 5 would authorize the Secretary to enter into agreements with the owners of insured mortgages, from time to time, providing that, at the option of the holders, within 1 year after the expiration date fixed by the Secretary of not less than 5 years from the date of the insured mortgage, the Secretary will repurchase the insured mortgages although such mortgages may not then be in default. If a holder does not during the year after the fixed period elect to sell the mortgage to the Secretary, he might during that year elect to enter into another agreement with the Secretary for repurchase at the end of another fixed period. The length of the additional period would be influenced by the then current mortgage conditions for comparable investments. Mortgages purchased by the Secretary in pursuance of these agreements would remain insured and would be resold to other investors. They might be accumulated singly and resold in blocks to larger investors. The value at which the Secretary would purchase and sell the insured mortgages under this plan would be determined in the same manner as now provided in the determination of the value of defaulted mortgages. Interest will continue to be paid to the fund while the mortgages are held by the Secretary of Agriculture. It is contemplated that such mortgages would be retained in the mortgage insurance fund only as a temporary expedient pending disposal at the earliest possible date.

Section 6 would authorize the payment out of the mortgage insurance fund of expenses and fees necessary to foreclosure of defaulted mortgages which have been assigned to the Secretary. Foreclosure is expressly authorized under present law, but no provision is made for the payment of expenses incident thereto, and the use of the fund is limited to the payments specifically authorized.

Section 7 would authorize the use of the mortgage insurance fund to pay any necessary costs or expenditures for the preservation and protection of the property after title thereto has been acquired by the Government, including any necessary costs of the operation of the property pending sale of the acquired real estate. These charges are considered essential to maintain the property in good condition and repair and to protect the Government's investment pending the ultimate disposition of the real estate. This section would also authorize advances out of the mortgage insurance fund for payments in lieu of taxes, as well as payments of taxes with respect to such property which are now authorized by section 50 of the act.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill,

as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

BANKHEAD-JONES FARM TENANT ACT

TITLE I—TENANT PURCHASE LOANS AND MORTGAGE INSURANCE

SEC. 3. * * *

(b) The instruments under which the loan is made and security given therefor shall—

* * * * *

(2) provide for the payment of interest on the unpaid balance of the loan at the rate of **[3½]** 4 percentum per annum;

* * * * *

SEC. 12. * * *

* * * * *

(c) In order for a mortgage to be eligible under this title—

* * * * *

(4) the mortgage instruments shall comply with section 3 (b), except that the base rate of interest shall be **[2½]** 3 percentum per annum;

* * * * *

(e) (1) **[**The Secretary shall collect from the mortgagor, upon insurance of the mortgage, an initial charge of 1 per centum of the principal obligation of the mortgage and annually thereafter when payment of an installment of principal and interest is due, a charge of 1 per centum of the principal obligation remaining unpaid after such installment is paid, without taking into account delinquent payments or prepayments. If the principal obligation of the mortgage is paid in full in less than five years after the time when the mortgage was entered into, the Secretary may require payment by the mortgagor of a charge equal to the amount of the last annual charge required of the mortgagor.**]** *The Secretary shall collect from the mortgagor for mortgage insurance an annual charge at the rate of 1 per centum of the outstanding principal obligation of the mortgage; the initial charge shall be collected simultaneously with the insurance of the mortgage and shall cover the period from the date of loan closing to the date of the first installment payable on the loan; the next and each succeeding charge shall be computed on the outstanding principal obligation remaining unpaid after the due date of each installment payable on the loan, and shall be payable on or before the next succeeding due date of an installment of principal and interest. If the principal obligation of the mortgage is paid in full in less than five years after the time when the mortgage was entered into, the Secretary may require payment by the mortgagor of the entire annual charge computed for the year then current, and an additional charge equal to the annual charge for such year. The Secretary may modify existing contracts so as to require future payments thereunder in accordance with the provisions of this section.*

(2) One-half of the amount paid as charges in pursuance of this subsection shall be the premium for insurance and shall be deposited in the fund and may be used only for purposes to which the fund may be devoted. The other half of the amounts so paid shall be deposited in the Treasury to the credit of the Secretary and shall be available only for administrative expenses to carry out the provisions of this title, relating to mortgage insurance.

(f) (1) The Secretary shall promptly remit to the mortgagee under any mortgage insured under this title any sums collected by it as agent for the mortgagee. The Secretary shall promptly advise any such mortgagee of any default by the mortgagor.

[(2) If within thirty days after the due date of any installment the mortgagor under an insured mortgage has failed to pay to the Secretary the amount due, the Secretary shall notwithstanding the amount paid is less than the interest and principal due, pay the amount of such principal and interest to the mortgagee, less the amount of any previous prepayments.**]**

[(3) Payments to mortgagees under paragraph (2) shall be advanced out of the fund for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor, with interest thereon at the rate fixed in the insured mortgage, and shall be added to subsequent installments.**]**

(2) *If the mortgagor has failed to pay to the Secretary the full amount of any installment on or before the due date thereof, the Secretary shall pay promptly the*

unpaid amount of such installment of principal and interest to the mortgagee, less the amount of any previous prepayments except payments from proceeds from the voluntary or involuntary sale of any part of the mortgaged property or from royalties from leases under which the value of the security is depreciated.

(3) If the mortgagor fails to pay any amounts due for taxes, special assessments, water rates, and other amounts which may become liens prior to the mortgage, and any amounts due for property insurance premiums, such amounts may be paid by the Secretary, either before or after assignment of the insured mortgage to the Secretary, for the account of the mortgagor as provided in paragraph (4) below.

(4) Payments by the Secretary under paragraphs (2) and (3) shall be advanced out of the fund for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor. Such advances shall bear interest at the rate fixed in the insured mortgage payable out of any subsequent collections, and, until repaid, the advance and interest thereon shall be added to subsequent installments.

(g) Any contract of insurance executed by the Secretary under this section shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of any holder thereof from the date of the execution of such contract, except for fraud or misrepresentation of which such holder has actual knowledge.

(h) The Secretary may, at any time, for good cause shown and under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instruments secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

(i) The holder of any mortgage insured under this title may, upon notice to the Secretary, assign such mortgage together with the accompanying note and contract of insurance and the assignee thereof shall thereupon become entitled to all the benefits of such contract of insurance: *Provided*, That no such assignment shall be binding upon the Secretary until notice thereof has been given the Secretary and the Secretary has acknowledged receipt of such notice.

(j) The Secretary is authorized to enter into agreements from time to time with the holder of a mortgage heretofore or hereafter insured under this title that any holder thereof, at the holder's option, shall be entitled, upon assignment of such mortgage to the Secretary within one year after the expiration of a period fixed by such agreement, to have the mortgage purchased by the Secretary even though the mortgage is not then in default, provided the initial fixed period shall be not less than five years from the date of the insured mortgage. Such assignment shall be accomplished in the same manner and the value of such mortgage shall be determined on the same basis as provided by section 13 for mortgages in default. The Secretary may purchase any such mortgage with moneys in the fund and may sell it at its value likewise determined in accordance with section 13 at the time he sells it, and reinsure it, if necessary, or he may retain it for the account of the fund until the indebtedness is discharged through refinancing by the mortgagor, by foreclosure, or otherwise. The value of all such mortgages retained for the fund as herein provided shall not be included in computing the aggregate amount of mortgage obligations that may be insured in any one fiscal year, as provided in section 12 (b). If there should not be sufficient cash in the fund to enable the Secretary to make payments to purchase mortgages as provided in this subsection, in order to obtain funds to make such payments notes may be issued and purchased in the same manner as provided in section 13.

* * * * *

SEC. 14. (a) Upon accepting the assignment of any insured mortgage, the Secretary shall ascertain whether or not the mortgagor (which term as used in this section shall include the mortgagor or his heirs or assigns) desires to remain in possession of the mortgaged property. If the mortgagor does not desire to remain in possession of the mortgaged property or if the Secretary is unable to make the findings prescribed by the next sentence, the Secretary may proceed to foreclose the mortgage. If the mortgagor desires to remain in possession of the mortgaged property and if the Secretary finds that the mortgagor (1) has made reasonable efforts to meet all defaulted payments and to comply with the other covenants and conditions of his mortgage and (2) will probably be able to meet such defaulted payments within five years after the maturity date or dates of the defaulted payments, the Secretary may enter into an agreement with the mortgagor providing for the payment of such defaulted payments together with interest thereon, at such times not later than five years after the maturity date or dates as the Secretary may deem to be within the probable future means of the mortgagor. Should

any mortgagor with whom the Secretary has entered into such agreement there-
after fail to meet any payments, the Secretary may proceed to foreclose the mort-
gage. *Expenses and fees incident to foreclosure may be advanced out of the fund for
the account of the mortgagor.*

(b) **【**Amounts realized under section 51 on account of property which was
subject to an insured mortgage shall be deposited in the fund. Amounts payable
by the Secretary under section 50 (a) as taxes, with respect to such property, shall
be paid out of the fund.**】** *Amounts realized under section 51 on account of property
which was subject to an insured mortgage shall be deposited in the fund. Amounts
payable by the Secretary under section 50 with respect to such property, and any
necessary costs and expenditures for the operation, preservation, and protection of such
property, shall be paid out of the fund.*



Union Calendar No. 878

80TH CONGRESS
2D SESSION

H. R. 6114

[Report No. 1837]

IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 1948

Mr. PACE introduced the following bill; which was referred to the Committee on Agriculture

APRIL 30, 1948

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the following sections of title I of the Bankhead-Jones
4 Farm Tenant Act, as amended, are hereby amended as
5 follows:

6 SEC. 1. Amend subsection (b) (2) of section 3 to read:

7 “(2) provide for the payment of interest on the

1 unpaid balance of the loan at the rate of 4 per centum
2 per annum;”.

3 SEC. 2. Amend subsection (c) (4) of section 12 to
4 read:

5 “(4) the mortgage instruments shall comply with
6 section 3 (b), except that the base rate of interest shall
7 be 3 per centum per annum;”.

8 SEC. 3. Amend subsection (e) (1) of section 12 to
9 read:

10 “The Secretary shall collect from the mortgagor for
11 mortgage insurance an annual charge at the rate of 1 per
12 centum of the outstanding principal obligation of the mort-
13 gage; the initial charge shall be collected simultaneously with
14 the insurance of the mortgage and shall cover the period
15 from the date of loan closing to the date of the first
16 installment payable on the loan; the next and each succeed-
17 ing charge shall be computed on the outstanding principal
18 obligation remaining unpaid after the due date of each
19 installment payable on the loan, and shall be payable on
20 or before the next succeeding due date of an installment
21 of principal and interest. If the principal obligation of
22 the mortgage is paid in full in less than five years after
23 the time when the mortgage was entered into, the Secre-
24 tary may require payment by the mortgagor of the entire
25 annual charge computed for the year then current, and

1 an additional charge equal to the annual charge for such
2 year. The Secretary may modify existing contracts so
3 as to require future payments thereunder in accordance with
4 the provisions of this section.”

5 SEC. 4. Amend subsection (f) of section 12 by striking
6 out subsections (2) and (3), and inserting in lieu thereof
7 the following new subsections (2), (3), and (4).

8 “(2) If the mortgagor has failed to pay to the Secre-
9 tary the full amount of any installment on or before the
10 due date thereof, the Secretary shall pay promptly the
11 unpaid amount of such installment of principal and interest
12 to the mortgagee, less the amount of any previous pre-
13 payments except payments from proceeds from the volun-
14 tary or involuntary sale of any part of the mortgaged
15 property or from royalties from leases under which the
16 value of the security is depreciated.

17 “(3) If the mortgagor fails to pay any amounts due for
18 taxes, special assessments, water rates, and other amounts
19 which may become liens prior to the mortgage, and any
20 amounts due for property insurance premiums, such amounts
21 may be paid by the Secretary, either before or after assign-
22 ment of the insured mortgage to the Secretary, for the
23 account of the mortgagor as provided in paragraph (4)
24 below.

25 “(4) Payments by the Secretary under paragraphs

(2) and (3) shall be advanced out of the fund for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor. Such advances shall bear interest at the rate fixed in the insured mortgage payable out of any subsequent collections, and, until repaid, the advance and interest thereon shall be added to subsequent installments."

SEC. 5. Amend section 12 by adding at the end thereof the following new subsection (j).

"(j) The Secretary is authorized to enter into agreements from time to time with the holder of a mortgage heretofore or hereafter insured under this title that any holder thereof, at the holder's option, shall be entitled, upon assignment of such mortgage to the Secretary within one year after the expiration of a period fixed by such agreement, to have the mortgage purchased by the Secretary even though the mortgage is not then in default, provided the initial fixed period shall be not less than five years from the date of the insured mortgage. Such assignment shall be accomplished in the same manner and the value of such mortgage shall be determined on the same basis as provided by section 13 for mortgages in default. The Secretary may purchase any such mortgage with moneys in the fund and may sell it at its value likewise determined in accordance with section 13 at the time he sells it, and reinsure it, if

1 necessary, or he may retain it for the account of the fund
2 until the indebtedness is discharged through refinancing by
3 the mortgagor, by foreclosure, or otherwise. The value of
4 all such mortgages retained for the fund as herein provided
5 shall not be included in computing the aggregate amount
6 of mortgage obligations that may be insured in any one
7 fiscal year, as provided in section 12 (b). If there should
8 not be sufficient cash in the fund to enable the Secretary
9 to make payments to purchase mortgages as provided in
10 this subsection, in order to obtain funds to make such pay-
11 ments notes may be issued and purchased in the same manner
12 as provided in section 13.”

13 SEC. 6. Amend subsection (a) of section 14 by adding
14 at the end thereof the following sentence: “Expenses and fees
15 incident to foreclosure may be advanced out of the fund
16 for the account of the mortgagor.”

17 SEC. 7. Amend subsection (b) of section 14 to read:

18 “(b) Amounts realized under section 51 on account
19 of property which was subject to an insured mortgage shall
20 be deposited in the fund. Amounts payable by the Secre-
21 tary under section 50 with respect to such property, and
22 any necessary costs and expenditures for the operation,
23 preservation, and protection of such property, shall be paid
24 out of the fund.”

80TH CONGRESS
2D SESSION

H. R. 6114

[Report No. 1837]

A BILL

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

By Mr. PAGE

APRIL 2, 1948

Referred to the Committee on Agriculture

APRIL 30, 1948

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

6. AGRICULTURAL APPROPRIATION BILL. Sen. Magnuson, Wash., submitted an amendment which he intends to propose to this bill, H. R. 5883, to amend Sec. 2 regarding security for RACC loans (p. 6097).
 7. HAWAII STATEHOOD. Sen. Butler, Nebr., inserted a list of States and the time which elapsed between their acquisition and statehood; and Sen. Knowland, Calif., inserted a comparison of the population of Hawaii and various States at the time of their admission as such (p. 6100).
 8. LEGISLATIVE PROGRAM. Majority Whip Wherry announced that it is intended, after disposition of the Army civil functions appropriation bill, to take up the displaced-persons bill and then the calendar (p. 6113). No mention of the agricultural appropriation bill was made in the schedule, which goes through Mon.
- HOUSE
9. UN-AMERICAN ACTIVITIES. Continued debate on H. R. 5852, to require registration of Communist-front organizations (pp. 6169-98).
 10. PERSONNEL. The Post Office and Civil Service Committee reported with amendments H. R. 5964, to grant time to Government employees to participate, without loss of pay or leave, in funerals for deceased members of the armed forces returned to the U. S. for burial (H. Rept. 1975) (p. 6200).
 11. BUILDINGS AND GROUNDS. Passed as reported H. R. 3219, to authorize FWA to appoint special policemen for duty on Federal property under its control (p. 6140).
 12. RECLAMATION. Passed without amendment H. R. 5901, to provide for distribution among Colo., N. Mex., Utah, and Wyo. of the receipts of the Colorado River Development Fund (p. 6142).
 13. FORESTS. Passed without amendment H. R. 6113, to provide for transfer of a tract of Wis. Rural Rehabilitation Corp. land to the Forest Service (pp. 6142-3).
 14. FARM LOANS. Passed without amendment H. R. 6114, to amend Title I of the Bankhead-Jones Farm Tenant Act so as to increase the interest rate by $\frac{1}{2}\%$, to provide for redemption of nondelinquent insured mortgages, to authorize advances for preservation and protection of insured-loan security, etc. (p. 6143).
 15. PERSONNEL. Passed as reported H. R. 5508, to amend the Veterans' Preference Act so as to extend its benefits to certain mothers of veterans (p. 6143).
 16. GRAZING. Passed without amendment S. 1874, authorizing the department using public domain for national-defense purposes to compensate holders of grazing permits and licenses for losses sustained by reason of such use (p. 6144). This bill will now be sent to the President.
Passed without amendment H. R. 6073, to permit acceptance of contributions of land, and of money for improvements thereto, outside of grazing districts by the Interior Department (p. 6145).

17. FOOD CONSERVATION. Rep. Eberhart, Pa., commended USDA's food-conservation program, referring particularly to the test in Pa. for voluntary food conservation (p. 6136).

Rep. Gross, Pa., criticized USDA's food-conservation program in Pa. (p. 6137).

18. FATS AND OILS. Rep. Reed, N.Y., criticized as "padded" the requirement figure for fats and oils in the foreign aid program (pp. 6134-5).

BILLS INTRODUCED

19. RECLAMATION. H.R. 6595, by Rep. Worley, Tex., to authorize the construction, operation, and maintenance by the Interior Department of the Canadian River reclamation project in the Texas Panhandle. To Public Lands Committee. (p. 6200)

20. FLOOD CONTROL. H.R. 6602, by Rep. Hagen, Minn., authorizing the construction of flood control work on the Red River of the North, Minn. and N. Dak. To Public Works Committee. (p. 6201.)

21. FEDERAL AID; EDUCATION. H.R. 6597, by Rep. Kelley, Pa., and H.R. 6600, by Rep. Kersten, Wis., to authorize the appropriation of funds to assist the States and territories in financing a minimum foundation education program of elementary and secondary schools, and in reducing the inequalities of educational opportunities through elementary and secondary schools, for the general welfare. To Education and Labor Committee. (pp. 6200-1.)

ITEMS IN APPENDIX

22. FOREIGN AID. Rep. Hill, Colo., inserted Warren H. Leonard's (Colo. A. & M. College) recent address on the agricultural problems in the administration of ERP (pp. A3238-9).

Rep. Case, S. Dak., inserted tables showing the estimated cost of the ERP on a county and county-seat basis for S. Dak. (pp. A3227-9).

23. FARM PROGRAM. Rep. Buchanan, Pa., inserted a Washington Daily News article commenting on the long-range farm program bills in Congress and claiming that "too high food prices" are a cause of present labor troubles (p. A3200).

24. FOREIGN TRADE. Rep. Cooper, Tenn., inserted W. Averell Harriman's recent Democratic Digest article, "Trade Agreements Act Must be Renewed" (pp. A3234-6), and a letter from the Citizens' Committee for Reciprocal World Trade, together with a statement of Cordell Hull urging extension of the Trade Agreements Act (pp. A3256-7).

25. HOUSING. Rep. Sadowski, Mich., inserted a statement of the Mayor of Detroit, Mich., in favor of the TEW housing bill (pp. A3248-9).

26. OLEOMARGARINE; TAXATION. Rep. Davis, Wis., inserted a letter from the Wis. Department of Agriculture opposing repeal of the taxes on oleomargarine (pp. A3251-2).

Rep. Twyman, Ill., inserted Chicago newspaper editorials favoring the repeal of oleomargarine taxes (p. A3258).

27. HEALTH. Rep. Schwabe, Okla., inserted Dr. Maurice Friedman's article, discussing health statistics (pp. A3245-6).

Rep. Madden, Ind., inserted a Washington Post article reporting the favorable stand of the American Medical Association on the World Health Organiza-

quarter, and north half south half; section 17, northeast quarter; section 22, east half northwest quarter.

SEC. 2. The Chief of the Forest Service is hereby directed to utilize, insofar as practicable, the property transferred pursuant to this act as an experimental and demonstration forest. Such use is found to be in the general interest of rural rehabilitation.

SEC. 3. Any such transfer shall not be deemed to impose any liability upon the Secretary of Agriculture with respect to his obligation under such agreement to transfer of May 16, 1937.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING TITLE I OF BANKHEAD-JONES FARM TENANT ACT

The Clerk called the bill (H. R. 6114) to amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of non-delinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the following sections of title I of the Bankhead-Jones Farm Tenant Act, as amended, are hereby amended as follows:

SEC. 1. Amend subsection (b) (2) of section 3 to read:

"(2) provide for the payment of interest on the unpaid balance of the loan at the rate of 4 percent per annum;"

SEC. 2. Amend subsection (c) (4) of section 12 to read:

"(4) the mortgage instruments shall comply with section 3 (b), except that the base rate of interest shall be 3 percent per annum;"

SEC. 3. Amend subsection (e) (1) of section 12 to read:

"The Secretary shall collect from the mortgagor for mortgage insurance an annual charge at the rate of 1 percent of the outstanding principal obligation of the mortgage; the initial charge shall be collected simultaneously with the insurance of the mortgage and shall cover the period from the date of loan closing to the date of the first installment payable on the loan; the next and each succeeding charge shall be computed on the outstanding principal obligation remaining unpaid after the due date of each installment payable on the loan, and shall be payable on or before the next succeeding due date of an installment of principal and interest. If the principal obligation of the mortgage is paid in full in less than 5 years after the time when the mortgage was entered into, the Secretary may require payment by the mortgagor of the entire annual charge computed for the year then current, and an additional charge equal to the annual charge for such year. The Secretary may modify existing contracts so as to require future payments thereunder in accordance with the provisions of this section."

SEC. 4. Amend subsection (f) of section 12 by striking out subsections (2) and (3), and inserting in lieu thereof the following new subsections (2), (3), and (4).

"(2) If the mortgagor has failed to pay to the Secretary the full amount of any installment on or before the due date thereof, the Secretary shall pay promptly the unpaid amount of such installment of prin-

cipal and interest to the mortgagee, less the amount of any previous prepayments except payments from proceeds from the voluntary or involuntary sale of any part of the mortgaged property or from royalties from leases under which the value of the security is depreciated.

"(3) If the mortgagor fails to pay any amounts due for taxes, special assessments, water rates, and other amounts which may become liens prior to the mortgage, and any amounts due for property insurance premiums, such amounts may be paid by the Secretary, either before or after assignment of the insured mortgage to the Secretary for the account of the mortgagor as provided in paragraph (4) below.

"(4) Payments by the Secretary under paragraphs (2) and (3) shall be advanced out of the funds for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor. Such advances shall bear interest at the rate fixed in the insured mortgage payable out of any subsequent collections, and, until repaid, the advance and interest thereon shall be added to subsequent installments."

SEC. 5. Amend section 12 by adding at the end thereof the following new subsection (j).

"(j) The Secretary is authorized to enter into agreements from time to time with the holder of a mortgage heretofore or hereafter insured under this title that any holder thereof, at the holder's option, shall be entitled, upon assignment of such mortgage to the Secretary within 1 year after the expiration of a period fixed by such agreement, to have the mortgage purchased by the Secretary even though the mortgage is not then in default, provided the initial fixed period shall be not less than 5 years from the date of the insured mortgage. Such assignment shall be accomplished in the same manner and the value of such mortgage shall be determined on the same basis as provided by section 13 for mortgages in default. The Secretary may purchase any such mortgage with moneys in the fund and may sell it at its value likewise determined in accordance with section 13 at the time he sells it, and reinsure it, if necessary, or he may retain it for the account of the fund until the indebtedness is discharged through refinancing by the mortgagor, by foreclosure, or otherwise. The value of all such mortgages retained for the fund as herein provided shall not be included in computing the aggregate amount of mortgage obligations that may be insured in any one fiscal year, as provided in section 12 (b). If there should not be sufficient cash in the fund to enable the Secretary to make payments to purchase mortgages as provided in this subsection, in order to obtain funds to make such payments notes may be issued and purchased in the same manner as provided in section 13."

SEC. 6. Amend subsection (a) of section 14 by adding at the end thereof the following sentence: "Expenses and fees incident to foreclosure may be advanced out of the fund for the account of the mortgagor."

SEC. 7. Amend subsection (b) of section 14 to read:

"(b) Amounts realized under section 51 on account of property which was subject to an insured mortgage shall be deposited in the fund. Amounts payable by the Secretary under section 50 with respect to such property, and any necessary costs and expenditures for the operation, preservation, and protection of such property, shall be paid out of the fund."

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING VETERANS' PREFERENCE ACT OF 1944

The Clerk called the bill (H. R. 5508) to amend the Veterans' Preference Act of 1944 to extend the benefits of such Act to certain mothers of veterans.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That (a) clause (5) of section 2 of the Veterans' Preference Act of 1944, as amended, is amended by striking out "and were widows at the time of the death or disability of their ex-serviceman son or ex-servicewoman daughter."

(b) Clause (6) of section 2 of such Act, as amended, is amended by striking out "(B) the mother was divorced or legally separated from the father of said ex-serviceman son or ex-servicewoman daughter, and (C) said ex-serviceman son or ex-servicewoman daughter is the only child of said mother", and inserting in lieu thereof "and (B) the mother was divorced or legally separated from the father of said ex-serviceman son or ex-servicewoman daughter."

With the following committee amendment:

On page 1 strike out beginning with line 7 through line 14 and insert the following:

"(b) Clause (6) of section 2 of such Act, as amended, is amended by striking out '(B) The mother was divorced or legally separated from the father of said ex-serviceman son or ex-servicewoman daughter, and (C) said ex-serviceman son or ex-servicewoman daughter is the only child of said mother,' and inserting in lieu thereof '(B) The mother was divorced or separated from the father of said ex-serviceman son or ex-servicewoman daughter, and (C) the mother has not remarried.'"

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

AMENDING SECTION 32 (a) (2) OF THE TRADING WITH THE ENEMY ACT

The Clerk called the bill (H. R. 5960) to amend section 32 (a) (2) of the Trading With the Enemy Act.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. BECKWORTH. Mr. Speaker, I object.

AMENDING THE TRADING WITH THE ENEMY ACT

The Clerk called the bill (H. R. 6116) to amend the Trading With the Enemy Act.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 33 of the Trading With the Enemy Act (40 Stat. 411), as amended, is hereby further amended to read as follows:

"SEC. 33. No return may be made pursuant to section 9 or 32 unless notice of claim has been filed: (a) in the case of any property or interest acquired by the United States prior to December 18, 1941, by August 9, 1948; or (b) in the case of any property or interest acquired by the United States on or after December 18, 1941, by July 31, 1949, or 2 years from the vesting of the property or interest in respect of which the claim is made, whichever is later. No suit pursuant to section 9 may be instituted after August 9, 1948, or after the expiration of

2 years from the date of the seizure by or vesting in the Alien Property Custodian, as the case may be, of the property or interest in respect of which relief is sought, whichever is later, but in computing such 2 years there shall be excluded any period during which there was pending a suit or claim for return pursuant to section 9 or 32 (a) hereof."

With the following committee amendment:

On page 2, line 8, after the comma insert "whichever is later."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

INLAND WATERWAYS CORP.

The Clerk called the bill (H. R. 5318) to provide for the continuation of the transportation services of the Inland Waterways Corp., for the disposition of its property and other interests, and for other purposes.

Mr. DEANE. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

POSTAL SERVICE

The Clerk called the bill (H. R. 4964) to preserve seniority rights of 10-point preference eligibles in the postal service transferring from the position of letter carrier to clerk or from the position of clerk to letter carrier.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That (a) any letter carrier or clerk in the postal service entitled as a preference eligible to 10 points under the Veterans' Preference Act of 1944, as amended, in addition to his earned rating who, on or after the date of enactment of this act, transfers from the position of letter carrier to that of clerk or from the position of clerk to that of letter carrier, as the case may be, shall not incur loss of seniority by reason of such transfer if, within 30 days after such transfer, he presents to the Civil Service Commission evidence satisfactory to the Commission that such transfer was necessitated principally by reason of a disability which he received on active duty in the armed forces of the United States.

(b) Any such letter carrier or clerk who, prior to the date of enactment of this act, has transferred from the position of letter carrier to that of clerk or from the position of clerk to that of letter carrier, as the case may be, and has incurred loss of seniority by reason of such transfer, shall be restored the seniority to which he would have been entitled if such transfer had not occurred if he presents to the Civil Service Commission evidence satisfactory to the Commission that such transfer was necessitated principally by reason of a disability which he received on active duty in the armed forces of the United States.

With the following committee amendment:

On page 2, after line 15, add the following: "(c) No regular employee shall be reduced to substitute status to accord the benefits of this act to another employee."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

PROMOTING MINING OF POTASH ON PUBLIC DOMAIN

The Clerk called the bill (S. 1050) to amend the act entitled "An act to promote the mining of potash on the public domain," approved February 7, 1947, so as to provide for the disposition of the rentals and royalties from leases issued or renewed under the act entitled "An act to authorize exploration for and disposition of potassium," approved October 2, 1917.

Mr. CHENOWETH. Mr. Speaker, I believe a rule has been granted on this bill, and it is now on the calendar. Therefore, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

COMPENSATING HOLDERS OF GRAZING PERMITS

The Clerk called the bill (S. 1874) authorizing the head of the department or agency using the public domain for national-defense purposes to compensate holders of grazing permits and licenses for losses sustained by reason of such use of public lands for national-defense purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the act of July 9, 1942 (56 Stat. 654, 43 U. S. C., sec 315p), is amended by inserting the words "or national defense" between the word "war" and the word "purposes" wherever the latter two words appear in that act.

SEC. 2. This amendment is to take effect as of July 26, 1947.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

DEL NORTE COUNTY, CALIF.

The Clerk called the bill (H. R. 4874) authorizing the Secretary of the Interior to issue patent to the county of Del Norte, State of California, to Pelican Rock in Crescent City Harbor, Del Norte County, Calif.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the Secretary of the Interior is hereby authorized to issue patent to the county of Del Norte, State of California, to Pelican Rock, containing about 1 acre, located northerly from Whaler Island in Crescent City Harbor, Del Norte County, Calif., for the purposes of a public wharf or for such other purposes as it may be of use in the construction, maintenance, and operation of Crescent City Harbor, Del Norte County, Calif.

SEC. 2. That the Secretary of the Interior is hereby directed to take such action as may be necessary to carry out the purposes of this act.

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following:

"That all the right, title, and interest of the United States in and to the island known as Pelican Rock, containing an estimated

area of about 1 acre, and situated in the Pacific Ocean in the northern portion of section 33, township 16 north, range 1 west, Humboldt meridian, California, approximately a quarter of a mile north of Whaler Island, shown to be located in latitude 41 degrees 44 minutes 40 seconds north, and longitude 124 degrees 11 minutes 10 seconds west, on United States Coast and Geodetic Survey Chart entitled 'St. George Reef and Crescent City, Calif.' is hereby conveyed to the County of Del Norte, State of California, for the purpose of a public wharf or for such other purposes as it may be of use in the construction, maintenance, and operation of Crescent City Harbor."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, and was read the third time, and passed.

The title was amended so as to read: "A bill to transfer Pelican Rock in Crescent City Harbor, Del Norte County, Calif., to that county."

A motion to reconsider was laid on the table.

PUBLIC-LAND LAWS IN OKLAHOMA

The Clerk called the bill (H. R. 5071) to extend the public-land laws of the United States to certain lands, consisting of islands, situated in the Red River in Oklahoma.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the public-land law of the United States be, and the same are hereby, extended to the public lands in that part of the Red River between the medial line and the south bank of the river, in Oklahoma, between the ninety-eighth meridian and the east boundary of the territory established as Greer County by the act of May 4, 1896 (29 Stat. 113): *Provided,* That such lands shall not be subject to disposition, settlement, or occupation until after the same have been classified and opened to entry, and other disposal by the Secretary of the Interior according to law.

SEC. 2. The Secretary of the Interior is hereby authorized to recognize equitable claims to such lands based on settlement made prior to January 1, 1934, and all homestead entries of such lands, the allowance of which was erroneous because the lands were not subject to entry, and all suspended entries and applications to make final proof, are hereby validated if otherwise regular.

SEC. 3. Patents on nonmineral entries, selections, or locations of such lands shall contain a reservation to the United States of all minerals therein, together with the right to prospect for, mine, and remove the same under applicable laws relating to such minerals: *Provided,* That the proceeds accruing to the United States from leases of the oil and gas deposits in such lands shall continue to be disposed of as provided by existing law.

SEC. 4. Except as to existing valid rights, the act of March 4, 1923 (42 Stat. 1448) is hereby repealed.

With the following committee amendments:

On page 2, line 5, insert "and directed."

Page 2, line 10, after the word "regular", insert "as of the date of the regular application."

Page 2, line 12, strike out all of section 3, and page 2, line 20, strike out "4" and insert "3."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

80TH CONGRESS
2D SESSION

H. R. 6114

IN THE SENATE OF THE UNITED STATES

MAY 19 (legislative day, MAY 10), 1948

Read twice and referred to the Committee on Agriculture and Forestry

AN ACT

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the following sections of title I of the Bankhead-Jones
4 Farm Tenant Act, as amended, are hereby amended as
5 follows:

6 SEC. 1. Amend subsection (b) (2) of section 3 to read:

7 “(2) provide for the payment of interest on the

1 unpaid balance of the loan at the rate of 4 per centum
2 per annum;”.

3 SEC. 2. Amend subsection (c) (4) of section 12 to
4 read:

5 “(4) the mortgage instruments shall comply with
6 section 3 (b), except that the base rate of interest shall
7 be 3 per centum per annum;”.

8 SEC. 3. Amend subsection (e) (1) of section 12 to
9 read:

10 “The Secretary shall collect from the mortgagor for
11 mortgage insurance an annual charge at the rate of 1 per
12 centum of the outstanding principal obligation of the mort-
13 gage; the initial charge shall be collected simultaneously with
14 the insurance of the mortgage and shall cover the period
15 from the date of loan closing to the date of the first
16 installment payable on the loan; the next and each succeed-
17 ing charge shall be computed on the outstanding principal
18 obligation remaining unpaid after the due date of each
19 installment payable on the loan, and shall be payable on
20 or before the next succeeding due date of an installment
21 of principal and interest. If the principal obligation of
22 the mortgage is paid in full in less than five years after
23 the time when the mortgage was entered into, the Secre-
24 tary may require payment by the mortgagor of the entire
25 annual charge computed for the year then current, and

1 an additional charge equal to the annual charge for such
2 year. The Secretary may modify existing contracts so as to
3 require future payments thereunder in accordance with the
4 provisions of this section.”

5 SEC. 4. Amend subsection (f) of section 12 by striking
6 out subsections (2) and (3), and inserting in lieu thereof
7 the following new subsections (2), (3), and (4).

8 “(2) If the mortgagor has failed to pay to the Secre-
9 tary the full amount of any installment on or before the
10 due date thereof, the Secretary shall pay promptly the un-
11 paid amount of such installment of principal and interest to
12 the mortgagee, less the amount of any previous prepayments
13 except payments from proceeds from the voluntary or in-
14 voluntary sale of any part of the mortgaged property or from
15 royalties from leases under which the value of the security
16 is depreciated.

17 “(3) If the mortgagor fails to pay any amounts due for
18 taxes, special assessments, water rates, and other amounts
19 which may become liens prior to the mortgage, and any
20 amounts due for property insurance premiums, such amounts
21 may be paid by the Secretary, either before or after assign-
22 ment of the insured mortgage to the Secretary, for the
23 account of the mortgagor as provided in paragraph (4)
24 below.

25 “(4) Payments by the Secretary under paragraphs

1 (2) and (3) shall be advanced out of the fund for the
2 account of the mortgagor. Such advances shall be repaid to
3 the fund out of the first available collections received from
4 the mortgagor. Such advances shall bear interest at the
5 rate fixed in the insured mortgage payable out of any sub-
6 sequent collections, and, until repaid, the advance and
7 interest thereon shall be added to subsequent installments.”

8 SEC. 5. Amend section 12 by adding at the end thereof
9 the following new subsection (j) .

10 “(j) The Secretary is authorized to enter into agree-
11 ments from time to time with the holder of a mortgage
12 heretofore or hereafter insured under this title that any
13 holder thereof, at the holder’s option, shall be entitled, upon
14 assignment of such mortgage to the Secretary within one
15 year after the expiration of a period fixed by such agree-
16 ment, to have the mortgage purchased by the Secretary even
17 though the mortgage is not then in default, provided the
18 initial fixed period shall be not less than five years from
19 the date of the insured mortgage. Such assignment shall be
20 accomplished in the same manner and the value of such
21 mortgage shall be determined on the same basis as provided
22 by section 13 for mortgages in default. The Secretary may

1 purchase any such mortgage with moneys in the fund and
2 may sell it at its value likewise determined in accordance
3 with section 13 at the time he sells it, and reinsure it, if
4 necessary, or he may retain it for the account of the fund
5 until the indebtedness is discharged through refinancing by
6 the mortgagor, by foreclosure, or otherwise. The value of
7 all such mortgages retained for the fund as herein provided
8 shall not be included in computing the aggregate amount
9 of mortgage obligations that may be insured in any one
10 fiscal year, as provided in section 12 (b). If there should
11 not be sufficient cash in the fund to enable the Secretary
12 to make payments to purchase mortgages as provided in
13 this subsection, in order to obtain funds to make such pay-
14 ments notes may be issued and purchased in the same manner
15 as provided in section 13.”

16 SEC. 6. Amend subsection (a) of section 14 by adding
17 at the end thereof the following sentence: “Expenses and fees
18 incident to foreclosure may be advanced out of the fund
19 for the account of the mortgagor.”

20 SEC. 7. Amend subsection (b) of section 14 to read:

21 “(b) Amounts realized under section 51 on account
22 of property which was subject to an insured mortgage shall

1 be deposited in the fund. Amounts payable by the Secre-
2 tary under section 50 with respect to such property, and
3 any necessary costs and expenditures for the operation,
4 preservation, and protection of such property, shall be paid
5 out of the fund.”

Passed the House of Representatives May 18, 1948.

Attest:

JOHN ANDREWS,

Clerk.

AN ACT

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondefaulting insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

MAY 19 (legislative day, MAY 10), 1948

Read twice and referred to the Committee on
Agriculture and Forestry

AMENDING TITLE I OF THE BANKHEAD-JONES FARM
TENANT ACT

JUNE 7 (legislative day, JUNE 1, 1948.—Ordered to be printed

Mr. CAPPER, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany H. R. 6114]

The Committee on Agriculture and Forestry, to whom was referred the bill (H. R. 6114) to amend title 1 of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title 1 loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured-loan security, and for other purposes, having considered same, report thereon with the recommendation that it do pass without amendment.

A complete explanation of the bill is given in House Report 1837, a copy of which is attached hereto and made a part of this report. A copy of the report from the Department of Agriculture is also attached hereto and made a part of this report.

[H. Rept. No. 1837, 80th Cong., 2d sess.]

The Committee on Agriculture, to whom was referred the bill (H. R. 6114) to amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of insured loan security, and for other purposes, having considered the same, report thereon with a recommendation that it do pass.

STATEMENT

The Secretary of Agriculture is authorized, by the amendments to the Bankhead-Jones Farm Tenant Act contained in the Farmers Home Administration Act of 1946, approved August 14, 1946 (60 Stat. 1062), to insure mortgage loans made by private lenders to qualified veterans, tenants, share croppers, and farm laborers, for the purpose of acquiring, enlarging, and improving family size farm units. Mortgages to be eligible for insurance must require, among other things, amortized repayments in not more than 40 years, provide for a base rate of interest of $2\frac{1}{2}$ percent per annum, secure a principal obligation not to exceed 90 percent of the

normal earning capacity value of the farm and necessary repairs and improvements thereon, and contain a covenant by the borrower to pay the Secretary an initial and annual charge of 1 percent of the principal obligation, one-half to be paid into a mortgage insurance fund and the remaining one-half to be used by the Secretary for administrative expenses. The Secretary of Agriculture makes all collections and services the loans for the lenders of the funds. The first loans were insured by the Secretary of Agriculture in October 1947 after funds were appropriated for the mortgage insurance fund in the Agricultural Appropriation Act, approved July 30, 1947. As of March 31, 1948, a total of 116 loans were insured. There have been approved and are now in process of being insured an additional 135 loans. There are, however, about 8,900 approved applicants who are eligible for insured loans when they can find farms which can be purchased at normal earning capacity value and when lenders can be found to furnish the loan funds.

Lenders generally have been reluctant to make more than a few insured mortgage loans in their communities under this authority and have given as primary reasons the low interest rate and the fact that there is no assurance that they will be able to sell the insured mortgage obligation unless the mortgage becomes in default. Although it is anticipated that most of the 40-year loans will probably be paid out in a considerably less time than the maximum time permitted under the amortization schedule, many lenders feel that changing economic conditions within the repayment period may require them to dispose of the obligation at an earlier date in order to maintain a liquid position for their mortgage portfolio. The provision of the present law permitting the assignment of insured mortgages to another investor is not considered adequate to provide this protection.

The proposed bill would remove these two major obstacles to the acceptability of the program by private lenders. It would raise the interest rate on insured mortgage loans from $2\frac{1}{2}$ to 3 percent and make a necessary comparable change in the interest rate on direct title I loans by the Secretary for similar purposes. It was recognized when the law was enacted that the charges to insured loan borrowers and direct loan borrowers, would have to be comparable to permit both programs to operate effectively.

In developing the insured mortgage program and in making the first loans thereunder, it has been demonstrated that several provisions of the act need technical modifications. The bill authorizes advances out of the mortgage insurance fund for the preservation of the insured mortgage security and makes certain other technical changes in the act to facilitate its administration, as will more fully appear in the following analysis.

ANALYSIS OF THE BILL

Section 1 would increase from $3\frac{1}{2}$ to 4 percent the interest rate on direct title I loans for farm acquisition, enlargement, and improvement, and section 2 would increase the interest rate on insured mortgage obligations from $2\frac{1}{2}$ to 3 percent per annum. This latter rate, with the 1-percent mortgage insurance and administrative charge, would result in the payment by a direct-loan borrower and by an insured-loan borrower of the same total rate of charges on the loan. The insured-loan borrower may, however, be subject to the additional appraisal and other incidental charges, as now provided in the act. These changes are proposed to improve the competitive position of insured mortgages with other long-term securities.

Section 3 of the bill would facilitate and clarify the method of computing the annual charge paid by the insured mortgagor. It is proposed that the charge be at the rate of 1 percent per annum of the principal obligation remaining unpaid after the due date of the last preceding installment. The present law requires the charge to be computed without regard to delinquencies or prepayments. This might tend to discourage prepayments and is inconsistent with the variable-payment plan authorized by section 48 of the Bankhead-Jones Farm Tenant Act, as amended, which provides for advance payments in periods of above-normal income.

The present law also requires that an initial insurance charge be paid for 1 full year in advance at the time of loan closing. The proposed amendment would change this by authorizing an initial charge to cover only that portion of the year from loan closing to the due date of the first installment. As a matter of administrative policy, all insured loans are payable annually on March 31 for ease of administrative handling. The bill would, therefore, authorize the first annual insurance charge to cover the period from loan closing to the next succeeding March 31. The second and succeeding charges would be payable on or before

the second and succeeding installment due dates. The insurance charge, and annual installments would then be due on the same dates. In the interest of having one system of computation, this section would also authorize the application of the proposed method to existing insured loan accounts.

Section 4, subsection (2), would require the Secretary to pay promptly from the mortgage insurance fund any amounts due on the loans not paid by the borrower. At the present time, such payments out of the insured mortgage fund are not payable until after 30 days from the due date of the installment. Since it is possible to determine by March 31, the due date of all notes as explained above, whether the borrower can make the required payments from income received during the preceding calendar year, it is unnecessary to provide an additional 30 days during which the accounting to the insured lender must be held in abeyance.

Payments to the mortgagee out of the mortgage insurance fund would be computed without regard to prepayments which represent depreciation of the mortgaged property by voluntary or involuntary sale or release. This subsection will also clarify the use of the term "prepayments" by providing in substance that when the security is depreciated by the involuntary or voluntary sale or lease of mortgaged property, the proceeds therefrom will not be applied so as to relieve the debtor from the obligation of meeting out of other funds scheduled annual installments when due in accordance with the terms of the note so long as any of the debt remains unpaid.

Subsections (3) and (4) of section 4 would enable the Secretary to use the mortgage insurance fund for the purpose of making advances for the account of the mortgagor for the payment of property insurance premiums, and taxes, assessments, and items of similar character, which the mortgage requires to be paid by the mortgagor and which, if not discharged, may affect the security or become liens ahead of the insured mortgage. The law now provides that the Secretary may reimburse the mortgagee for paying such costs only upon assignment to the Government of mortgages in default. The proposed provision is necessary for the preservation and protection of the insured loan security in the event the mortgagor or mortgagee fail to pay such charges. Subsection (3) would authorize the Secretary to make such advances either before or after the assignment of the mortgage to the Secretary. Such advances would be repayable to the fund out of the first available collections, and if not repaid by the borrower would constitute a charge against the land secured by the mortgage.

Subsection (4) is designed to facilitate interest computations at periodic intervals. Under the present law, if advances are made from the fund, interest must be charged on such advances and must be collected out of the first available collection from the mortgagor. Interest on the principal account is computed only twice a year. Under the proposed change, the interest on the advances would be computed at the same time and collected out of subsequent payments by the mortgagor.

Section 5 would authorize the Secretary to enter into agreements with the owners of insured mortgages, from time to time, providing that, at the option of the holders, within 1 year after the expiration date fixed by the Secretary of not less than 5 years from the date of the insured mortgage, the Secretary will repurchase the insured mortgages although such mortgages may not then be in default. If a holder does not during the year after the fixed period elect to sell the mortgage to the Secretary, he might during that year elect to enter into another agreement with the Secretary for repurchase at the end of another fixed period. The length of the additional period would be influenced by the then current mortgage conditions for comparable investments. Mortgages purchased by the Secretary in pursuance of these agreements would remain insured and would be resold to other investors. They might be accumulated singly and resold in blocks to larger investors. The value at which the Secretary would purchase and sell the insured mortgages under this plan would be determined in the same manner as now provided in the determination of the value of defaulted mortgages. Interest will continue to be paid to the fund while the mortgages are held by the Secretary of Agriculture. It is contemplated that such mortgages would be retained in the mortgage insurance fund only as a temporary expedient pending disposal at the earliest possible date.

Section 6 would authorize the payment out of the mortgage insurance fund of expenses and fees necessary to foreclosure of defaulted mortgages which have been assigned to the Secretary. Foreclosure is expressly authorized under present law, but no provision is made for the payment of expenses incident thereto, and the use of the fund is limited to the payments specifically authorized.

Section 7 would authorize the use of the mortgage insurance fund to pay any necessary costs or expenditures for the preservation and protection of the property

after title thereto has been acquired by the Government, including any necessary costs of the operation of the property pending sale of the acquired real estate. These charges are considered essential to maintain the property in good condition and repair and to protect the Government's investment pending the ultimate disposition of the real estate. This section would also authorize advances out of the mortgage insurance fund for payments in lieu of taxes, as well as payments of taxes with respect to such property which are now authorized by section 50 of the act.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italics*, existing law in which no change is proposed is shown in roman):

"BANKHEAD-JONES FARM TENANT ACT

"TITLE I—TENANT PURCHASE LOANS AND MORTGAGE INSURANCE

"SEC. 3. * * *

"(b) The instruments under which the loan is made and security given therefor shall—

* * * * *

"(2) provide for the payment of interest on the unpaid balance of the loan at the rate of **[3½]** *4* per centum per annum;

* * * * *

"SEC. 12. * * *

* * * * *

"(e) In order for a mortgage to be eligible under this title—

* * * * *

"(4) the mortgage instruments shall comply with section 3 (b), except that the base rate of interest shall be **[2½]** *3* per centum per annum;

* * * * *

"(e) (1) **[The Secretary shall collect from the mortgagor, upon insurance of the mortgage, an initial charge of 1 per centum of the principal obligation of the mortgage and annually thereafter when payment of an installment of principal and interest is due, a charge of 1 per centum of the principal obligation remaining unpaid after such installment is paid, without taking into account delinquent payments or prepayments. If the principal obligation of the mortgage is paid in full in less than five years after the time when the mortgage was entered into, the Secretary may require payment by the mortgagor of a charge equal to the amount of the last annual charge required of the mortgagor.]** *The Secretary shall collect from the mortgagor for mortgage insurance an annual charge at the rate of 1 per centum of the outstanding principal obligation of the mortgage; the initial charge shall be collected simultaneously with the insurance of the mortgage and shall cover the period from the date of loan closing to the date of the first installment payable on the loan; the next and each succeeding charge shall be computed on the outstanding principal obligation remaining unpaid after the due date of each installment payable on the loan, and shall be payable on or before the next succeeding due date of an installment of principal and interest. If the principal obligation of the mortgage is paid in full in less than five years after the time when the mortgage was entered into, the Secretary may require payment by the mortgagor of the entire annual charge computed for the year then current, and an additional charge equal to the annual charge for such year. The Secretary may modify existing contracts so as to require future payments thereunder in accordance with the provisions of this section.*

"(2) One-half of the amount paid as charges in pursuance of this subsection shall be the premium for insurance and shall be deposited in the fund and may be used only for purposes to which the fund may be devoted. The other half of the amounts so paid shall be deposited in the Treasury to the credit of the Secretary and shall be available only for administrative expenses to carry out the provisions of this title, relating to mortgage insurance.

"(f) (1) The Secretary shall promptly remit to the mortgagee under any mortgage insured under this title any sums collected by it as agent for the mortgagee. The Secretary shall promptly advise any such mortgagee of any default by the mortgagor.

"**[(2)** If within thirty days after the due date of any installment the mortgagor under an insured mortgage has failed to pay to the Secretary the amount due,

the Secretary shall notwithstanding the amount paid is less than the interest and principal due, pay the amount of such principal and interest to the mortgagee, less the amount of any previous prepayments.

“(3) Payments to mortgagees under paragraph (2) shall be advanced out of the fund for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor, with interest thereon at the rate fixed in the insured mortgage, and shall be added to subsequent installments.”

“(2) If the mortgagor has failed to pay to the Secretary the full amount of any installment on or before the due date thereof, the Secretary shall pay promptly the unpaid amount of such installment of principal and interest to the mortgagee, less the amount of any previous prepayments except payments from proceeds from the voluntary or involuntary sale of any part of the mortgaged property or from royalties from leases under which the value of the security is depreciated.

“(3) If the mortgagor fails to pay any amounts due for taxes, special assessments, water rates, and other amounts which may become liens prior to the mortgage, and any amounts due for property insurance premiums, such amounts may be paid by the Secretary, either before or after assignment of the insured mortgage to the Secretary, for the account of the mortgagor as provided in paragraph (4) below.

“(4) Payments by the Secretary under paragraphs (2) and (3) shall be advanced out of the fund for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor. Such advances shall bear interest at the rate fixed in the insured mortgage payable out of any subsequent collections, and, until repaid, the advance and interest thereon shall be added to subsequent installments.

“(g) Any contract of insurance executed by the Secretary under this section shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of any holder thereof from the date of the execution of such contract, except for fraud or misrepresentation of which such holder has actual knowledge.

“(h) The Secretary may, at any time, for good cause shown and under such terms and conditions as he may prescribe, consent to the release of the mortgagor from his liability under the mortgage or the credit instruments secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage.

“(i) The holder of any mortgage insured under this title may, upon notice to the Secretary, assign such mortgage together with the accompanying note and contract of insurance and the assignee thereof shall thereupon become entitled to all the benefits of such contract of insurance: *Provided*, That no such assignment shall be binding upon the Secretary until notice thereof has been given the Secretary and the Secretary has acknowledged receipt of such notice.

“(j) The Secretary is authorized to enter into agreements from time to time with the holder of a mortgage heretofore or hereafter insured under this title that any holder thereof, at the holder's option, shall be entitled, upon assignment of such mortgage to the Secretary within one year after the expiration of a period fixed by such agreement, to have the mortgage purchased by the Secretary even though the mortgage is not then in default, provided the initial fixed period shall be not less than five years from the date of the insured mortgage. Such assignment shall be accomplished in the same manner and the value of such mortgage shall be determined on the same basis as provided by section 13 for mortgages in default. The Secretary may purchase any such mortgage with moneys in the fund and may sell it at its value likewise determined in accordance with section 13 at the time he sells it, and reinsure it, if necessary, or he may retain it for the account of the fund until the indebtedness is discharged through refinancing by the mortgagor, by foreclosure, or otherwise. The value of all such mortgages retained for the fund as herein provided shall not be included in computing the aggregate amount of mortgage obligations that may be insured in any one fiscal year, as provided in section 12 (b). If there should not be sufficient cash in the fund to enable the Secretary to make payments to purchase mortgages as provided in this subsection, in order to obtain funds to make such payments notes may be issued and purchased in the same manner as provided in section 13.

* * * * *

“Sec. 14. (a) Upon accepting the assignment of any insured mortgage, the Secretary shall ascertain whether or not the mortgagor (which term as used in this section shall include the mortgagor or his heirs or assigns) desires to remain in possession of the mortgaged property. If the mortgagor does not desire to remain in possession of the mortgaged property or if the Secretary is unable to make the findings prescribed by the next sentence, the Secretary may proceed to foreclose

the mortgage. If the mortgagor desires to remain in possession of the mortgaged property and if the Secretary finds that the mortgagor (1) has made reasonable efforts to meet all defaulted payments and to comply with the other covenants and conditions of his mortgage and (2) will probably be able to meet such defaulted payments within five years after the maturity date or dates of the defaulted payments, the Secretary may enter into an agreement with the mortgagor providing for the payment of such defaulted payments together with interest thereon, at such times not later than five years after the maturity date or dates as the Secretary may deem to be within the probable future means of the mortgagor. Should any mortgagor with whom the Secretary has entered into such agreement thereafter fail to meet any payments, the Secretary may proceed to foreclose the mortgage. *Expenses and fees incident to foreclosure may be advanced out of the fund for the account of the mortgagor.*

"(b) [Amounts realized under section 51 on account of property which was subject to an insured mortgage shall be deposited in the fund. Amounts payable by the Secretary under section 50 (a) as taxes, with respect to such property, shall be paid out of the fund.] *Amounts realized under section 51 on account of property which was subject to an insured mortgage shall be deposited in the fund. Amounts payable by the Secretary under section 50 with respect to such property, and any necessary costs and expenditures for the operation, preservation, and protection of such property, shall be paid out of the fund.*"

UNITED STATES DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington 25, D. C., May 25, 1948.

HON. ARTHUR CAPPER,
Chairman, Committee on Agriculture and Forestry,
United States Senate.

DEAR SENATOR: This is in response to your informal request for a report as to the views of this Department on H. R. 6114, a bill to amend title I of the Bankhead-Jones Farm Tenant Act, as amended.

The provisions of this bill would increase the interest rate on direct loans by the Secretary of Agriculture for acquisition and improvement of farms under the foregoing authority from 3½ percent to 4 percent, and would increase the interest rate allowable on mortgages to be insured by the Secretary for similar purposes from 2½ percent to 3 percent. The bill would also authorize the use of the mortgage insurance fund heretofore established for the purchase of undefaulted insured mortgages after they have been held by the lenders for a period of not less than 5 years, as determined by the Secretary. This authority would provide a means for lenders to liquidate their holdings of insured mortgages before full maturity of 40 years or earlier prepayment. The bill also contains several technical amendments to the act, the desirability of which has been demonstrated as the details of the mortgage insurance program have been developed. For the reasons hereinafter appearing, this Department favors the enactment of this legislation.

Amendments to the Bankhead-Jones Farm Tenant Act, approved August 14, 1946, established a farm-tenant mortgage insurance fund and authorized the Secretary of Agriculture to insure private mortgages given by persons eligible for Bankhead-Jones Farm Tenant Act assistance in connection with the acquisition, improvement, or enlargement of farms, which mortgages secure principal obligations not in excess of 90 percent of the reasonable long-time earning capacity value of the farms, repayable in not more than 40 years, at an interest rate of 2½ percent per annum. The borrower pays a 1 percent initial and 1 percent annual charge, one-half of which goes to the mortgage insurance and one-half of which is to be used for administrative expenses. The Secretary of Agriculture acts as collection agent for the mortgagee.

Two major objections have been given by the lending public to full acceptance of the mortgage insurance program. The first of these is that the 2½ percent interest rate is not as attractive as other available forms of investment. As interest rates generally have been increasing since the enactment of this legislation, it is our opinion that the additional one-half percent is amply justified and is necessary before we can expect lenders generally to accept these insured mortgages.

It was generally conceded at the time the mortgage-insurance provisions were enacted that the direct loan interest rate and the total charge for an insured loan borrower would have to be the same since the two programs follow the same

pattern and are both administered by the same local employees of the Department. Therefore, it is recommended that the interest rate on the direct loans be increased to 4 percent to equalize the increase on the insured mortgage loan. We believe that the increase on direct loans will not place an undue burden on the class of borrowers entitled to assistance under the act.

The other major objection of lenders to the insured-mortgage program is that there is no satisfactory assurance that, if economic conditions change during the period of insured loan, the lender will be able to reduce his portfolio of insured-mortgage loans without discount. The bill proposes, therefore, to permit the Secretary of Agriculture to use the mortgage-insurance fund for this purpose. The device suggested seems to be a satisfactory one. Very briefly, it would authorize agreements with the insured lenders that at the end of a fixed period of not less than 5 years from the date of the loan the Secretary would, at the request of the holder of the insured mortgage, purchase it at its full value for the account of the mortgage-insurance fund. Such repurchase mortgages would continue to be insured and would be resold by the Secretary to other investors and might be sold by the Secretary in blocks to large investors more advantageously than could individual mortgages. The plan avoids objections which have been raised to some secondary market plans for Government-insured mortgages.

Section 3 of the bill would facilitate and clarify the method of computing the annual charge paid by the insured mortgagor. At present, the charges are computed without regard to delinquencies or prepayments. It is proposed that the charge be computed on the actual unpaid balance. We believe that this change will provide an additional incentive to prepayments and will be more consistent with the variable payment plan authorized by section 48 of the act. For convenience in servicing, it has been administratively determined to make all insured loans payable annually on March 31. The bill proposes, therefore, to provide that the initial charge of 1 percent shall be for the fraction of the year between loan closing and the next succeeding March 31.

At the present time, payments to the mortgagee are not payable until after 30 days of the due date of any defaulted installment. Since by March 31 of any year, the previous year's farm income can be adequately determined, it is unnecessary to provide for an additional 30 days during which the accounting of the Secretary, as collection agent to the insured lender, must be held in abeyance. It is proposed, therefore, to eliminate the 30-day period.

Under existing law, if the mortgagor prepays his account and subsequently misses a required payment, the amount of such prepayments, regardless of the source from which they are derived, are deducted from the amount to be paid to the insured lender. It is proposed that where prepayments are derived from actions which reduce the value of the insured mortgage security such prepayments will not be deducted from the amount to be paid the insured lender in the event of subsequent defaults.

The law now provides that the Secretary may reimburse the insured mortgagee payment of taxes, assessments, and items of similar character only upon assignment of the insured mortgage to the Government after default. In the interest of having the holder of the note retain the obligation as long as possible, it appears desirable to use the mortgage-insurance fund to repay the lender for such advances without the necessity of having the mortgage assigned to the Secretary. Advances out of the mortgage-insurance fund for this purpose, of course, would be collected from the mortgagor out of the first available collections and if not repaid by the borrower, would constitute a charge against the land secured by the mortgage. The amendment in subsection 4 of section 4 of the bill is designed to facilitate interest computations at periodic intervals in order to save administrative costs.

Section 6 of the bill would authorize payment out of the mortgage-insurance fund for expenses and fees necessary to foreclosure of defaulted mortgages which have been assigned to the Secretary. Foreclosure is expressly authorized under the present law but no provision is made for the payment of expenses incident thereto and the use of the fund is limited to payments specifically authorized. Similarly, section 7 of the bill would authorize use of the mortgage-insurance fund to pay any necessary costs or expenditures for the preservation and protection of the property after title thereto has been acquired by the Government. This section would also authorize advances from the mortgage-insurance fund for payments in lieu of taxes with respect to such land in addition to the authorization for the payment of taxes with respect to such property as now provided by section 50 of the act.

8 AMEND TITLE I OF BANKHEAD-JONES FARM TENANT ACT

Even though it has been difficult recently in some areas to locate farms for sale at prices which meet the requirements of the act, there are presently over 8,000 approved applicants who are eligible for insured-mortgage loans who have been unable to find lenders interested in taking insured mortgages as security or who have been unable to locate satisfactory farms. The proposed changes should do much to make mortgages insured under this act more attractive to private lenders and to facilitate administration of the increased volume of business which may be expected if the bill is enacted into law.

In view of the urgency of your request, there has not been time to clear this report with the Bureau of the Budget. We are unable, therefore, to inform you whether the provisions of this bill are in accordance with the President's program.

Sincerely,

N. E. DODD, *Acting Secretary.*



80TH CONGRESS
2D SESSION

H. R. 6114

[Report No. 1520]

IN THE SENATE OF THE UNITED STATES

MAY 19 (legislative day, MAY 10), 1948

Read twice and referred to the Committee on Agriculture and Forestry

JUNE 7 (legislative day, JUNE 1), 1948

Reported by Mr. CAPPER, without amendment

AN ACT

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That the following sections of title I of the Bankhead-Jones
4 Farm Tenant Act, as amended, are hereby amended as
5 follows:

6 SEC. 1. Amend subsection (b) (2) of section 3 to read:

7 “(2) provide for the payment of interest on the
8 unpaid balance of the loan at the rate of 4 per centum
9 per annum;”.

1 SEC. 2. Amend subsection (c) (4) of section 12 to
2 read:

3 “(4) the mortgage instruments shall comply with
4 section 3 (b), except that the base rate of interest shall
5 be 3 per centum per annum;”.

6 SEC. 3. Amend subsection (e) (1) of section 12 to
7 read:

8 “The Secretary shall collect from the mortgagor for
9 mortgage insurance an annual charge at the rate of 1 per
10 centum of the outstanding principal obligation of the mort-
11 gage; the initial charge shall be collected simultaneously with
12 the insurance of the mortgage and shall cover the period
13 from the date of loan closing to the date of the first
14 installment payable on the loan; the next and each succeed-
15 ing charge shall be computed on the outstanding principal
16 obligation remaining unpaid after the due date of each
17 installment payable on the loan, and shall be payable on
18 or before the next succeeding due date of an installment
19 of principal and interest. If the principal obligation of
20 the mortgage is paid in full in less than five years after
21 the time when the mortgage was entered into, the Secre-
22 tary may require payment by the mortgagor of the entire
23 annual charge computed for the year then current, and
24 an additional charge equal to the annual charge for such
25 year. The Secretary may modify existing contracts so as to

1 require future payments thereunder in accordance with the
2 provisions of this section.”.

3 SEC. 4. Amend subsection (f) of section 12 by striking
4 out subsections (2) and (3), and inserting in lieu thereof
5 the following new subsections (2), (3), and (4).

6 “(2) If the mortgagor has failed to pay to the Secre-
7 tary the full amount of any installment on or before the
8 due date thereof, the Secretary shall pay promptly the un-
9 paid amount of such installment of principal and interest to
10 the mortgagee, less the amount of any previous prepayments
11 except payments from proceeds from the voluntary or in-
12 voluntary sale of any part of the mortgaged property or from
13 royalties from leases under which the value of the security
14 is depreciated.

15 “(3) If the mortgagor fails to pay any amounts due for
16 taxes, special assessments, water rates, and other amounts
17 which may become liens prior to the mortgage, and any
18 amounts due for property insurance premiums, such amounts
19 may be paid by the Secretary, either before or after assign-
20 ment of the insured mortgage to the Secretary, for the
21 account of the mortgagor as provided in paragraph (4)
22 below.

23 “(4) Payments by the Secretary under paragraphs
24 (2) and (3) shall be advanced out of the fund for the
25 account of the mortgagor. Such advances shall be repaid to

1 the fund out of the first available collections received from
2 the mortgagor. Such advances shall bear interest at the
3 rate fixed in the insured mortgage payable out of any sub-
4 sequent collections, and, until repaid, the advance and
5 interest thereon shall be added to subsequent installments.”

6 SEC. 5. Amend section 12 by adding at the end thereof
7 the following new subsection (j).

8 “(j) The Secretary is authorized to enter into agree-
9 ments from time to time with the holder of a mortgage
10 heretofore or hereafter insured under this title that any
11 holder thereof, at the holder’s option, shall be entitled, upon
12 assignment of such mortgage to the Secretary within one
13 year after the expiration of a period fixed by such agree-
14 ment, to have the mortgage purchased by the Secretary even
15 though the mortgage is not then in default, provided the
16 initial fixed period shall be not less than five years from
17 the date of the insured mortgage. Such assignment shall be
18 accomplished in the same manner and the value of such
19 mortgage shall be determined on the same basis as provided
20 by section 13 for mortgages in default. The Secretary may
21 purchase any such mortgage with moneys in the fund and
22 may sell it at its value likewise determined in accordance
23 with section 13 at the time he sells it, and reinsure it, if
24 necessary, or he may retain it for the account of the fund
25 until the indebtedness is discharged through refinancing by

1 the mortgagor, by foreclosure, or otherwise. The value of
2 all such mortgages retained for the fund as herein provided
3 shall not be included in computing the aggregate amount
4 of mortgage obligations that may be insured in any one
5 fiscal year, as provided in section 12 (b). If there should
6 not be sufficient cash in the fund to enable the Secretary
7 to make payments to purchase mortgages as provided in
8 this subsection, in order to obtain funds to make such pay-
9 ments notes may be issued and purchased in the same manner
10 as provided in section 13.”

11 SEC. 6. Amend subsection (a) of section 14 by adding
12 at the end thereof the following sentence: “Expenses and fees
13 incident to foreclosure may be advanced out of the fund
14 for the amount of the mortgagor.”

15 SEC. 7. Amend subsection (b) of section 14 to read:

16 “(b) Amounts realized under section 51 on account
17 of property which was subject to an insured mortgage shall
18 be deposited in the fund. Amounts payable by the Secre-
19 tary under section 50 with respect to such property, and
20 any necessary costs and expenditures for the operation,
21 preservation, and protection of such property, shall be paid
22 out of the fund.”

Passed the House of Representatives May 18, 1948.

Attest:

JOHN ANDREWS,

Clerk.

80TH CONGRESS
2D SESSION

H. R. 6114

[Report No. 1520]

AN ACT

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

MAY 19 (legislative day, MAY 10), 1948

Read twice and referred to the Committee on
Agriculture and Forestry

JUNE 7 (legislative day, JUNE 1), 1948

Reported without amendment

previous authorizations.

"Section 3 (c) of the bill, as amended, modifies the present provision as to when the construction work on forest development roads and trails shall be advertised and let to contract as compared to doing the work by force account by changing the amount of the estimated cost per mile when such construction work must be let to contract from \$5,000 or more per mile to \$10,000 or more per mile..."

The committee also reduced the annual authorization for Federal-aid highways from \$500,000,000 to \$400,000,000 and made certain other changes in these provisions.

9. PERSONNEL. Passed without amendment S. 2517, to amend the Civil Service Retirement Act to provide benefits to survivors of employees who had leave to cover the period subsequent to death to Mar. 1, 1948 (p. 7878).
10. RECLAMATION. Passed as reported H. R. 3218, to authorize an emergency fund for the Bureau of Reclamation to assure continuous operation of its systems (p. 7879).
Passed as reported S. 2286, to provide for nonreimbursable allocations on the Carlsbad project (p. 7879).
11. GRAZING LANDS. Passed without amendment H. R. 6073, to amend the Taylor Grazing Act so as to authorize the Government to accept contributions of land, and of money for improvements thereto, outside of grazing districts (p. 7880).
This bill will now be sent to the President.
12. CAFETERIAS. After discussion, passed over, at the request of Sen. Ball, S. 2779, to create a Government Services Corporation to manage cafeterias, etc., in Federal buildings (p. 7882).
13. FARM LOANS. Passed without amendment H. R. 6114, to amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate by $\frac{1}{2}\%$, to provide for redemption of nondelinquent insured mortgages, to authorize advances for preservation and protection of the insured loan security, etc. (p. 7884). This bill will now be sent to the President.
14. FOREST LANDS; RURAL REHABILITATION. Passed without amendment H. R. 6113, to transfer a tract of Wis. Rural Rehabilitation Corp. land to the Forest Service (p. 7884). This bill will now be sent to the President.
15. LAND TITLES. Passed without amendment S. 2418, to remove the 10-year limitation on adjustment of land titles by the Secretary of Agriculture (p. 7884).
16. MINERALS. Passed as reported H. R. 4856, to delay liquidation of mineral interests reserved to the U. S. as required by the Farmers' Home Administration Act (p. 7884).
17. SUGAR PAYMENTS. Passed without amendment H. R. 5174, to authorize CCC to make adjustment payments to certain producers of raw cane sugar in Puerto Rico and Hawaii (p. 7886). This bill will now be sent to the President.
18. The following were included among the bills passed over:
S. 784, to provide maternity leave for Government employees (p. 7888).
S. 2279, to amend the Civil Service Retirement Act so as to extend benefits to employees who were involuntarily separated during the period from July 1, 1945, to July 1, 1947, after having rendered twenty-five years of service

but prior to attainment of age 55 (p. 7889).

S. 2839, to extend for 5 years the authority to provide for the maintenance of a domestic tin-smelting industry (p. 7889).

19. NATIONAL FORESTS. Concurred in House amendments to S. 1090, to remove the limitation governing exchanges of certain lands in the Superior National Forests, Minn., to safeguard and consolidate areas of exceptional public interest (p. 7765, June 9). This bill will now be sent to the President.

HOUSE

20. PRICE SUPPORTS. The "Daily Digest" states that the Agriculture Committee considered H.R. 6248, the price-support bill, and agreed to a "committee amendment, to be offered by Representative Hope, supporting until June 30, 1950, Irish white potatoes harvested before January 1, 1949, milk and its products, hogs, chickens, and eggs at 90 percent of 1948 parity" (p. D629). H.R. 6248 and the CCC charter bill bill, H.R. 6263, are to be considered on the floor toady, June 11 (p. D629).

Rep. Murray, Wis., criticized the price-support program, claiming that the "Agricultural Department is now bushing the potato farmers of my State out of thousands of dollars...[and] cannot even operate a short-range agricultural program" (p. 7905).

21. HOUSING. The "Daily Digest" states that the Banking and Currency Committee ordered reported (but did not actually report) H.R. 6841, amending the National Housing Act, and that as reported the bill would include the "following titles of S. 866, the T-E-W housing bill: Title III, program of research and development by Housing and Home Finance Administration; title V, slum clearance and urban development; section VI, low-rent housing; and title VII, rural housing" (p. D629).

Passed without amendment S.J. Res. 231, authorizing \$10 million for stop-gap emergency housing in the Columbia River flood disaster area (pp. 7913-4). Passed by the Senate earlier in the day. This measure will now be sent to the President.

22. DISPLACED PERSONS. Began debate on H.R. 6396, to provide for the admission of 200,000 displaced persons within 2 years (pp. 7906-13, 7915-54).

23. TAXATION. The Rules Committee reported a resolution for the consideration of H.R. 6712, to provide for revenue revision and to correct tax inequities by making administrative and technical amendments to the Internal Revenue Code (pp. 7915, 7962).

24. PERSONNEL. The Post Office and Civil Service Committee ordered reported (but did not actually report) H.R. 5715, extending retirement benefits to employees who were involuntarily separated during the period from July 1, 1945 to July 1, 1947, after 25 years of service prior to attainment of age 55; and H.R. 6641, to amend the Civil Service Retirement Act to provide annuities for certain surviving spouses of annuitants retired prior to Apr. 1, 1948 (pp. D629-30).

Reps. Kirsten (Wis.) and Lyle (Tex.) spoke in favor of pay increases for Federal employees (pp. 7903, 7904).

Received citizens' petitions favoring pay increases for Federal employees (p. 7963).

25. OLEOMARGARINE. Rep. Rivers, S.C., urged passage of the bill to repeal taxes on oleomargarine (p. 7904).

26. HEALTH. The Interstate and Foreign Commerce Committee ordered reported

acres; (d) a portion of the northwest quarter northeast quarter of section 23, township 6 south, range 34 east, Boise meridian, containing thirty-three and forty-two one-hundredths acres; (e) Fairview Park in the east half southwest quarter southwest quarter northeast quarter and west half southeast quarter southwest quarter northeast quarter of section 23, township 6 south, range 34 east, Boise meridian, containing ten acres; (f) the east half northeast quarter northwest quarter of section 23, township 6 south, range 34 east, Boise meridian, containing twenty acres; (g) an irregular shaped area lying along the east side of the Pocatello Lateral in section 23, township 6 south, range 34 east, Boise meridian, containing ninety-seven and sixty-two one-hundredths acres; and (h) the southwest quarter southwest quarter southwest quarter of section 24, township 6 south, range 34 east, Boise meridian, containing ten acres. The above-described tracts of land, together with such lands in the portion of the village of Alameda lying between the Pocatello Lateral and the Oregon Short Line Railroad right-of-way in section 23, township 6 south, range 34 east, Boise meridian, as (notwithstanding their inclusion in the irrigable acreage shown by the maps and plats hereinabove mentioned) have no water right at present, shall be entitled to receive, or to continue to receive, water through pumping operations or by gravity flow, provided the respective owners thereof, within five years from the date of the enactment of this act, enter into contracts whereby they agree (1) to pay their proper proportionate share of the project construction costs of \$18.12 per acre, as these costs are defined in the report referred to in section 1 of this act, for such of their lands as do not now have a project water right; (2) to pay their proper proportionate share of the project rehabilitation and improvement costs of \$15.10 and not to exceed \$7.50 per acre, respectively, for such of their lands as are not now covered by contracts for the repayment of such costs; and (3) to install, maintain, and operate, at their own expense, pumping machinery to lift the water from the project canals or laterals for the irrigation of such of their lands as cannot be supplied by gravity flow. The noninclusion of the Fort Hall town site within the net irrigable area of the project as hereby established shall not prevent the obtaining of water rights therefor in accordance with the act of March 1, 1907 (34 Stat. 1015, 1025).

SEC. 5. There is excluded from the Fort Hall Indian irrigation project by the designation of the project area in section 4 of this act the nine thousand six hundred and seventy acres of tribal, allotted, and non-Indian-owned lands located between Fort Hall and Gibson, Idaho, heretofore authorized to be included in the project by the act of March 3, 1927 (ch. 371, 44 Stat. 1398). The construction costs apportioned to the tribal lands so excluded are hereby canceled and the water rights are made available for project use. The water rights for the lands of the several allottees and non-Indian owners within the area so excluded shall not be impaired or affected by reason of such exclusion, but water shall be delivered only at the head of the laterals serving these lands. The respective owners of such lands may make their water rights available for project use, whereupon the construction costs assessed or assessable against their lands with respect to the water rights thus made available shall be canceled by the Secretary of the Interior. Allottees of lands within the excluded area, or their heirs or devisees, may donate or sell their lands to the tribe or may exchange their lands for assignments of tribal lands within the project area. There is authorized to be appropriated, out of any money in the Treasury of the United States not otherwise

appropriated, \$8,000, or so much thereof as may be necessary, for the purchase by the Secretary of the Interior, in the name of the United States, of America in trust for the Shoshone-Bannock Tribes of the Fort Hall Reservation, of one hundred and eighty acres of non-Indian-owned land, with water rights and improvements appurtenant thereto, described as the north half southeast quarter southwest quarter section 13, township 4 south, range 34 east, Boise meridian, and south half northeast quarter and north half southeast quarter section 7, township 4 south, range 35 east, Boise meridian, located within the area excluded from the Fort Hall Indian irrigation project by section 4 of this act.

SEC. 6. There is authorized to be appropriated, out of any money in the Treasury of the United States not otherwise appropriated, the sum of \$3,995 to compensate the following-named landowners, or their heirs, for work accomplished or for future work necessary in filling, leveling, and otherwise preparing for irrigation the abandoned portion of the old Fort Hall Main Canal within their holdings, in not to exceed the following amounts: Frank E. DeKay, \$401; Henry Jensen, \$633; Theodore H. Gathe, \$654; A. E. Albert, \$106; Ezra D. Wilson, \$127; J. M. Bistline, \$378; Ambrose H. McGuire, \$424; Ellen Griffith, \$412; C. M. Allen, \$116; Olive A. Granden, \$184; William Webster, \$28; Hiram Faulkner, \$114; Williamette Blakeslee, \$298; Frank Parker, \$99; and Henrietta C. Blakeslee, \$21.

SEC. 7. Pending the construction of a siphon to provide gravity-flow water to ninety-six and six-tenths acres of irrigable lands in the southwest quarter section 27 and east half section 28, township 5 south, range 34 east, Boise meridian, Idaho, which lands have been irrigated by pumping operations over a period of years, the Secretary of the Interior may accept the conveyance by the landowners of the pumping equipment for use of the Fort Hall Indian irrigation project and may operate such equipment as a part of said project in order to provide water for the irrigation of such lands; the acceptance of such conveyance being subject to the owners of the lands executing releases to the United States of any and all claims whatsoever due to the pumping operations carried on by such landowners.

SEC. 8. The Secretary of the Interior is authorized, in his discretion, to revise and reform, upon such terms and conditions as he may determine to be fair and equitable in all the circumstances affecting the interests of the United States and the contractors, existing contracts between the United States and the Idaho Irrigation District, the Progressive Irrigation District, and the Snake River Valley Irrigation District in Idaho, which contracts provide for certain payments by the districts to the United States for the benefit of works of the Fort Hall Indian irrigation project.

SEC. 9. There is authorized to be appropriated, out of any money in the Treasury of the United States not otherwise appropriated, for refunds to Indians, or their heirs, the sum of \$1,419.55, representing irrigation assessments of the Fort Hall Indian irrigation project erroneously made and collected, as follows: Andrew F. Cutler, \$153.80; Alice Sorrell Johns, \$168.95; Nettie Stinson LaVatta, \$146.62; Earl Edmund Cutler, \$159.20; Charles Faulkner, \$145.25; Josephine LaVatta Rumas, \$155.20; May Phyllis LaVatta Brower, \$29.90; Leonard I. Cutler, \$135.85; Effie Diggie Houtz, \$122.75; Lucy Yandell Spencer, \$25; Charles Gerard Cutler, \$121.53; and Hattie Sorrell Siler Tillotson, \$55.50.

SEC. 10. There is authorized to be appropriated, out of any money in the Treasury of the United States not otherwise appropriated, such sums as may be necessary for the relocating, rehabilitating, cleaning, and

extending of irrigation systems serving the lands irrigated from Ross Fork, Bannock, and Lincoln Creeks, which lands are outside of the Fort Hall Indian irrigation project, including the construction of a storage reservoir on Bannock Creek. The costs of any work benefiting Indian lands performed pursuant to this authorization shall be apportioned on a per acre basis and collected under laws applicable to Indian irrigable lands on the Fort Hall Indian irrigation project. Operation and maintenance charges against such lands shall likewise be subject to the same laws, rules, and regulations, as apply to Indian lands on the Fort Hall project. Any unpaid charges against such lands shall be subject to a first lien as provided in the act of March 7, 1928 (45 Stat. 200, 210). No expenditure shall be made under this authorization which will benefit lands in non-Indian ownership unless the owners thereof execute contracts providing for the repayment of their proportionate per acre share of the costs of the work assessable against their lands.

SEC. 11. In order to prevent the accumulation of delinquent project assessments or other charges against the non-Indian-owned lands of the Fort Hall Indian irrigation project, the Secretary of the Interior is hereby authorized and directed to cause liquidation of all delinquent assessments or charges by taking such action as may be necessary, including the foreclosure of the Government's lien covering any such delinquent charges or by initiating such other procedure as may be legally available, which action may be taken by him at any time when in his judgment the best interests of the project would be served thereby.

SEC. 12. All acts or parts of acts inconsistent herewith are hereby repealed.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Nebraska [Mr. BUTLER].

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

The PRESIDENT pro tempore. Without objection, Senate bill 2171 will be indefinitely postponed.

BILL PASSED OVER

The bill (S. 1844) to authorize an appropriation for the construction, extension, equipment, and improvement of public-school buildings and facilities at Winnebago, Nebr., was announced as next in order.

Mr. FULBRIGHT. Let the bill go over.

The PRESIDENT pro tempore. The bill will be passed over.

Mr. BUTLER subsequently said: Mr. President, I ask unanimous consent to return to Calendar 1554, Senate bill 1844, for just a moment. That is a bill to which the Senator from Arkansas objected. I have explained to the Senator, and I am perfectly willing to explain to the Senate, that the money involved is not a Federal subsidy, but every cent of the money is recouped by the Federal Government from the local school district.

The PRESIDENT pro tempore. Is there objection to the present consideration of Calendar 1554, Senate bill 1844?

Mr. FULBRIGHT. Mr. President, I objected, not on the ground that I object to Federal assistance to education, but

I had thought this was piecemeal Federal aid, that special districts were picked out and given Federal money as before, under the Federal aid bill which the Senate passed some time ago, but which apparently is to be killed in the House. I understand the money supplied is to be repaid by the districts, in which there are Indians. With that understanding I do not object.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 1844) to authorize an appropriation for the construction, extension, equipment, and improvement of public-school buildings and facilities at Winnebago, Nebr., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That there is hereby authorized to be appropriated, out of any funds in the Treasury not otherwise appropriated, \$215,000 for the purpose of co-operating with the school board of school district No. 17, Thurston County, at Winnebago, Nebr., for the construction, extension, equipment, and improvement of public-school buildings and facilities at Winnebago, Nebr.: *Provided,* That the expenditure of any money so authorized shall be subject to the express conditions that the school maintained by the said district in the said buildings and facilities shall be available to all Indian children of the district on the same terms, except as to payment of tuition, as other children of said school district: *And provided further,* That any amount expended hereunder shall be recouped by the United States within a period of 30 years, commencing with the date of occupancy of the building or buildings, through reducing the annual Federal payments for the education of Indian pupils enrolled in public or high school of the district involved and in computing the amount of recoupment, interest at 3 percent per annum shall be included on any unrecouped balances.

CONVEYANCES OF OREGON SHORT LINE RAILROAD AND UNION PACIFIC RAILROAD

The bill (S. 2371) validating certain conveyances of the Oregon Short Line Railroad Co. and the Union Pacific Railroad Co. and waiving, relinquishing, and disclaiming all title and all right of reverter and forfeiture of the United States of America to the lands described in said conveyances; was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That that certain conveyance made by Oregon Short Line Railroad Company, a corporation of Utah, to the Colorado Milling and Elevator Company, a corporation of Colorado, dated September 30, 1927, and recorded April 25, 1932, at 9:02 antemeridian in book 63 of deeds at page 42, records of Bannock County, Idaho, and covering the following-described land located in Bannock County, Idaho, to wit: A tract of land one hundred feet wide and one hundred and forty feet long in northeast quarter of southwest quarter of section 26, township 6 south, range 34 east, of Boise meridian, and more particularly described as follows: Beginning at the present northeasterly corner of right-of-way of Oregon Short Line Railroad Company opposite and west of block 329 of townsite of Pocatello, said corner bearing south thirty-three degrees forty-two minutes twenty seconds east three thousand four

hundred and sixty-one and three-tenths feet from northwest corner of said section 26; thence south eight degrees forty-one minutes east along present easterly right-of-way boundary of said railroad company, one hundred and forty feet; thence south eighty-one degrees nineteen minutes west one hundred feet; thence north eight degrees forty-one minutes west one hundred and forty feet to point in the present northerly right-of-way boundary of said railroad company; thence north eighty-one degrees nineteen minutes east along said northerly right-of-way boundary one hundred feet to point of beginning, and containing in all thirty-two one-hundredths of an acre, more or less; and that certain conveyance made by the Union Pacific Railroad Company, a corporation of Utah, to the Colorado Milling and Elevator Company, a corporation of Colorado, dated April 28, 1941, and recorded May 29, 1941, at 2:14 postmeridian in book 84 of deeds at page 183, records of Bannock County, Idaho, and covering the following-described land located in Bannock County, Idaho, to wit: A trace of land one hundred feet wide and one hundred and forty feet long in northeast quarter of southwest quarter of section 26, township 6 south, range 34 east, of Boise meridian and more particularly described as follows: Beginning at the present northeasterly corner of right-of-way of Oregon Short Line Railroad Company opposite and west of block 329 of townsite of Pocatello, said corner being southeasterly corner of that certain tract of land conveyed by Oregon Short Line Railroad Company to the Colorado Milling and Elevator Company by quit-claim deed dated September 30, 1927, and recorded April 25, 1932, in book 63 at page 42 of deeds, records of Bannock County; thence south eight degrees forty-one minutes east along said right-of-way boundary one hundred and forty feet; thence south eighty-one degrees nineteen minutes west one hundred feet; thence north eight degrees forty-one minutes west one hundred and forty feet; thence north eighty-one degrees nineteen minutes east one hundred feet to point of beginning, and containing thirty-two one-hundredths of an acre, more or less; which said lands heretofore formed part of the right-of-way, station grounds, and yards of the Oregon Short Line Railroad Company and the Union Pacific Railroad Company granted by the United States of America to the Utah and Northern Railway Company, predecessor of the Oregon Short Line Railroad Company and the Union Pacific Railroad Company, by act of Congress dated September 1, 1888, or by any other act of Congress are hereby legalized, validated, and confirmed and all title and all rights of reverter or forfeiture of the United States of America in or to the lands described in said conveyances, as provided in the Act of September 1, 1888 (25 Statutes 452), or otherwise, is hereby waived, relinquished, and disclaimed.

NURSERIES AND NURSERY SCHOOLS FOR DISTRICT OF COLUMBIA CHILDREN

The bill (H. R. 5808) to continue a system of nurseries and nursery schools for the day care of school-age and under-school-age children of the District of Columbia was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for production of products from agricultural commodities was announced as next in order.

Mr. SALTONSTALL. Mr. President, at the request of several Senators, I have

been asked to request that this bill be passed over, in order that an amendment agreeable to all parties may be worked out.

The PRESIDENT pro tempore. Under objection, the bill will be passed over.

INCREASE OF INTEREST RATE ON TITLE I FARM TENANT ACT LOANS

The bill (H. R. 6114) to amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of nondelinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

TRANSFER OF LAND IN LANGLADE COUNTY, WIS., TO UNITED STATES FOREST SERVICE

The bill (H. R. 6113) to transfer certain land in Langlade County, Wis., to the United States Forest Service was considered, ordered to a third reading, read the third time, and passed.

ADJUSTMENT OF TITLES TO LANDS BY SECRETARY OF AGRICULTURE

The bill (S. 2418) to amend the act of July 8, 1943 (57 Stat. 388), entitled "An act to authorize the Secretary of Agriculture to adjust titles to lands acquired by the United States which are subject to his administration, custody, or control" was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the act approved July 8, 1943 (57 Stat. 388), is hereby amended by striking out the words "within 10 years."

LIQUIDATION OF CERTAIN MINERAL INTERESTS RESERVED TO UNITED STATES

The Senate proceeded to consider the bill (H. R. 4856) to delay the liquidation of mineral interests reserved to the United States as required by the Farmers Home Administration Act of 1946, and for other purposes; which had been reported from the Committee on Agriculture and Forestry with an amendment, at the end of the bill to insert "Nothing contained in this act shall be construed to supersede or modify in any way the provisions of section 9 of the Farmers Home Administration Act of 1946."

The amendment was agreed to.

Mr. WILLIAMS. Mr. President, may we have an explanation?

Mr. AIKEN. Mr. President, I believe that under existing law the United States is required to dispose of certain mineral rights which it had withheld in the sale of land which had been acquired through the Resettlement Administration and by other means. Under present law, the Government is required to dispose of the mineral rights before a certain date. I think that date has already passed. This bill will provide an extension of the time, so that the Government may hold on to those rights.

The PRESIDENT pro tempore. If there be no further amendment to be proposed, the question is on the engross-

[PUBLIC LAW 720—80TH CONGRESS]

[CHAPTER 551—2D SESSION]

[H. R. 6114]

AN ACT

To amend title I of the Bankhead-Jones Farm Tenant Act, as amended, so as to increase the interest rate on title I loans, to provide for the redemption of non-delinquent insured mortgages, to authorize advances for the preservation and protection of the insured loan security, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the following sections of title I of the Bankhead-Jones Farm Tenant Act, as amended, are hereby amended as follows:

SEC. 1. Amend subsection (b) (2) of section 3 to read:

“(2) provide for the payment of interest on the unpaid balance of the loan at the rate of 4 per centum per annum;”.

SEC. 2. Amend subsection (c) (4) of section 12 to read:

“(4) the mortgage instruments shall comply with section 3 (b), except that the base rate of interest shall be 3 per centum per annum;”.

SEC. 3. Amend subsection (e) (1) of section 12 to read:

“The Secretary shall collect from the mortgagor for mortgage insurance an annual charge at the rate of 1 per centum of the outstanding principal obligation of the mortgage; the initial charge shall be collected simultaneously with the insurance of the mortgage and shall cover the period from the date of loan closing to the date of the first installment payable on the loan; the next and each succeeding charge shall be computed on the outstanding principal obligation remaining unpaid after the due date of each installment payable on the loan, and shall be payable on or before the next succeeding due date of an installment of principal and interest. If the principal obligation of the mortgage is paid in full in less than five years after the time when the mortgage was entered into, the Secretary may require payment by the mortgagor of the entire annual charge computed for the year then current, and an additional charge equal to the annual charge for such year. The Secretary may modify existing contracts so as to require future payments thereunder in accordance with the provisions of this section.”

SEC. 4. Amend subsection (f) of section 12 by striking out subsections (2) and (3), and inserting in lieu thereof the following new subsections (2), (3), and (4).

“(2) If the mortgagor has failed to pay to the Secretary the full amount of any installment on or before the due date thereof, the Secretary shall pay promptly the unpaid amount of such installment of principal and interest to the mortgagee, less the amount of any previous prepayments except payments from proceeds from the voluntary or involuntary sale of any part of the mortgaged property or from royalties from leases under which the value of the security is depreciated.

“(3) If the mortgagor fails to pay any amounts due for taxes, special

assessments, water rates, and other amounts which may become liens prior to the mortgage, and any amounts due for property insurance premiums, such amounts may be paid by the Secretary, either before or after assignment of the insured mortgage to the Secretary, for the account of the mortgagor as provided in paragraph (4) below.

“(4) Payments by the Secretary under paragraphs (2) and (3) shall be advanced out of the fund for the account of the mortgagor. Such advances shall be repaid to the fund out of the first available collections received from the mortgagor. Such advances shall bear interest at the rate fixed in the insured mortgage payable out of any subsequent collections, and, until repaid, the advance and interest thereon shall be added to subsequent installments.”

SEC. 5. Amend section 12 by adding at the end thereof the following new subsection (j).

“(j) The Secretary is authorized to enter into agreements from time to time with the holder of a mortgage heretofore or hereafter insured under this title that any holder thereof, at the holder's option, shall be entitled, upon assignment of such mortgage to the Secretary within one year after the expiration of a period fixed by such agreement, to have the mortgage purchased by the Secretary even though the mortgage is not then in default, provided the initial fixed period shall be not less than five years from the date of the insured mortgage. Such assignment shall be accomplished in the same manner and the value of such mortgage shall be determined on the same basis as provided by section 13 for mortgages in default. The Secretary may purchase any such mortgage with moneys in the fund and may sell it at its value likewise determined in accordance with section 13 at the time he sells it, and reinsure it, if necessary, or he may retain it for the account of the fund until the indebtedness is discharged through refinancing by the mortgagor, by foreclosure, or otherwise. The value of all such mortgages retained for the fund as herein provided shall not be included in computing the aggregate amount of mortgage obligations that may be insured in any one fiscal year, as provided in section 12 (b). If there should not be sufficient cash in the fund to enable the Secretary to make payments to purchase mortgages as provided in this subsection, in order to obtain funds to make such payments notes may be issued and purchased in the same manner as provided in section 13.”

SEC. 6. Amend subsection (a) of section 14 by adding at the end thereof the following sentence: “Expenses and fees incident to foreclosure may be advanced out of the fund for the account of the mortgagor.”

SEC. 7. Amend subsection (b) of section 14 to read:

“(b) Amounts realized under section 51 on account of property which was subject to an insured mortgage shall be deposited in the fund. Amounts payable by the Secretary under section 50 with respect to such property, and any necessary costs and expenditures for the operation, preservation, and protection of such property, shall be paid out of the fund.”

Approved June 19, 1948.

